

Casino Capitalism, Society and Politics in China's Macau

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By

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**Cambridge
Scholars
Publishing**



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This book first published 2020

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

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ISBN (10): 1-5275-5586-0

ISBN (13): 978-1-5275-5586-0

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ACKNOWLEDGEMENTS

This book is a product of my long-term interest in Macau politics and casino capitalism. I must thank Emil Marques, Jose Carlos Matias, Herbert Yee, Ng Kuok Cheong, Au Kam Sun, Lee Man Chau, and Sulu Sou, among others, for providing me with their insights. Other Macau residents who shared their insights informally include some of my students in the civil service. Moreover, I had long discussions with Hong Kong-based friends, some of whom were former diplomats. I express my deepest gratitude to all of them for exchanging their views on Macau and Hong Kong with me. Their insights stimulated me to think about Macau from a broader perspective. I also need to thank Marlene de Wilde for her editing work on my book manuscript.

Finally, I dedicate this book to my late parents, Ho Leung Lo and Ching York Lo. They brought me to visit Macau for the first time when I was a child back in the mid-1970s. Many years later, in 1989, my first academic position was at the University of East Asia, Macau. I recall the good old days when I had to take a ferry from Hong Kong to Macau every morning from Monday to Friday, a journey of about two hours. My apartment at the University of Macau, Taipa Island was still relatively underdeveloped at the time, was along a quiet waterfront, facing the sea my grandmother's ashes had been scattered over. When I was teaching in Macau from 1989 to 1990, I would walk around different parts of the city on the weekends, then take minibuses to various places further afield. Today, Macau is very different but regardless of all the rapid transformations, I still like it very much. Its history, politics, society, and economy have been the focus of my profound research interest since the late 1980s. This is, in fact, my third book focusing solely on Macau's society and politics.

I fervently hope that this book can stimulate those who are interested in Macau to think about its society, politics and economy not only from an academic perspective but also with a balanced but critical approach that can appreciate the strengths and the weaknesses of this beautiful, fascinating, multicultural, and historical city-state.

Sonny Shiu-Hing Lo
February 20, 2020.

ABBREVIATIONS

Association of Southeast Asian Nations	ASEAN
Commission Against Corruption	CAC
Chinese Communist Party	CCP
Chinese University of Hong Kong	CUHK
Continuing Education Development Plan	CEDP
Democratic Progressive Party	DPP
European Union	EU
Gambling Inspection and Coordination	DICJ
Greater Bay Area	GBA
Hong Kong Macau Affairs Office	HKMAO
Hong Kong Polytechnic University	HKPU
Hong Kong Special Administrative Region	HKSAR
Independent Commission Against Corruption	ICAC
Kuomintang	KMT
Legislative Council	LegCo
Liaison Office	LO
Macau Special Administrative Region	MSAR
Mass Transit Railway	MTR
Ministerial Tender Approval Authority	TAA
Ministry of International Trade and Industry	MITI
Macau Patacas	MOP
National People's Congress	NPC
Newly Industrializing Countries	NICs
Pearl River Delta	PRD
People's Armed Police	PAP
People's Liberation Army	PLA
People's Republic of China	PRC
Principal Officials Accountability System	POAS
Republic of China	ROC
Severe Acute Respiratory Syndrome	SARS
Sociedade de Jogos de Macau	SJM
Sociedade de Turismo e Diversoes de Macau	STDM
Standing Committee of the National People's Congress	SCNPC
United States	US

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CHAPTER ONE

THE CONTENT AND CONTEXT OF CASINO CAPITALISM

Little research has been conducted on the content and context of casino capitalism, which can be defined as a city relying on the casino industry to develop its economy and society. This book fills a crucial gap in the existing literature by firstly engaging in a thorough review of the existing studies on casinos, and, secondly, coming up with an analytical framework with which to comprehend the content and context of casino capitalism. Then, this book will use the case study of the Macau Special Administrative Region (MSAR), whose administrative rights reverted from Portugal to the People's Republic of China (PRC) on December 20, 1999, to examine the distinctive characteristics of the content and context of Macau's casino capitalism. Macau deserves to be studied because it is under the administrative rights and sovereignty of the PRC, which remains a socialist state that bans gambling according to the mainland Chinese criminal law. Casinos have flourished in Macau since the end of 1999, especially since 2002 as the casino franchises were internationalized, and have both positive and negative impacts. Positively, the casino industry stimulates economic development and prosperity and provides jobs in the casino-related sectors, including hotels, catering, retail, and tourism areas. Negatively, the casino industry has provided a conduit for criminal activities and addictive gambling, including money laundering, drugs trafficking, loan sharking, and even cross-border gambling by the mainland Chinese. This book will address the positive and negative aspects of casino capitalism in Macau and analyse the responses from the governments of both the PRC and MSAR.

The External Environment of Casino Governance

An insightful study of Macau's casino development in the context of globalization was undertaken by Timothy Luke, who compared "casinopolitan globalism" between Macau and Las Vegas under the

globalized businesses of gambling, entertainment and resort operations.¹ Neither Macau nor Nevada, with its core city Las Vegas, were known for their “cosmopolitan sophistication, but the socio-economic networks of the global gaming, resort, shopping, and entertainment industries use theme park motifs in huge new casino properties to generate a simulated cosmopolitan allure, which could be characterized as ‘casinopolitanism’.”² In other words, gaming corporations have built fantasy destination spaces in Macau and Nevada as “packaged globalist cultural revolutions and casinopolitan modes of life.”³ While some people have called Las Vegas “America’s Macau,” Macau can also be seen as China’s Las Vegas. As a matter of fact, the development of supersized destination casino resorts like the MGM Grand and Wynn properties in Las Vegas in the 1990s and 2000s and the parallel development in Macau since the liberalization of the casino franchises in 2002 have demonstrated several of the characteristics of “casinopolitanism.” First and foremost, the giant multinational casino corporations and their gaming operations in both Macau and Las Vegas can be seen as the cultural expression of neoliberalism, the institutional and spatial change of uneven geographical circumstances, and the path-dependent nature of societal transformations and capitalist restructuring.⁴ Second, while Macau combines the Portuguese culture with the Chinese tradition of favoring gambling, Las Vegas was historically a place for transit for many peoples, including Native Americans, the Spanish, Mexicans, and Mormon and Anglo travelers, during the nineteenth century.⁵ Both cities were traditionally characterized by cosmopolitanism. Third, Macau and Las Vegas are undergoing a process of fluctuation and casino liberalization. Although gaming was illegal in 1864 as Nevada joined the Union, it was legalized later in 1869. Progressive political groups succeeded in seeking a ban on gambling in October 1910, but this was relaxed later in the 1920s, and in 1931 casinos were legalized to stimulate the economy, increase tax revenues and even reduce criminal activities. Macau has undergone a process of casino liberalization since 2002, when the franchises were internationalized. Fourth, both Macau and Las Vegas are geographically and strategically located, with huge markets for the gaming industry. Macau’s neighbor, China, is a populous motherland, where even the small proportion of citizens who cross the border to gamble in Macau make the

¹ Timothy W. Luke, “Gaming Space: Casinopolitan Globalism from Las Vegas to Macau,” *Globalizations*, vol. 7, no. 3 (September 2010), pp. 395-405.

² *Ibid.*, p. 395.

³ *Ibid.*

⁴ *Ibid.*, p. 397.

⁵ *Ibid.*, p. 398.

small city economically prosperous. Similarly, Las Vegas is part of the Southern Californian metropolitan sprawl that runs from San Diego to Los Angeles and Palm Springs, with a population of 15 million people, many of whom visit Las Vegas for entertainment.⁶ Fifth, Las Vegas is like “a polis of the people, by the people and for the people,”⁷ and Macau has imitated the Las Vegas attractions to fully utilize its urban space so as to recreate itself into a gambling and tourist hub in Southern China. Sixth, since the early 1990s, Las Vegas has shifted from traditional gambling to non-gaming areas, which involve entertainment, recreation, culinary and shopping attractions, and spectacular architectural designs, and this modernization has deeply influenced Macau’s new casino industry. The remaking of the Macau casino industry along Las Vegas lines can be seen as an extension of casinopolitanism. In fact, from 1989 to 2005, the classic destinations in the Vegas Strip – the Desert Inn, the Sands, the Dunes, Aladdin’s, the Hacienda, and Landmark – were demolished and replaced by new urban megastructures and fantasylands, including the Excalibur; the Luxor; New York, New York; Treasure Island; the MCM Grand, the Bellagio, the Venetian, and the Wynn. The casino megastructures in both Macau and Las Vegas incorporate convention and exhibition centers, food halls, theaters, shopping malls, concert stages, theme parks, shows, and destination hotels in a single facility where tourists can enjoy themselves and find excitement. As Timothy Luke wrote

Hence, a city [like Las Vegas that] had a few thousand inhabitants in 1905 is now well over 2 million strong a century later. And the only place that has truly equaled, and then exceeded it, is now Macau, which has purposely sought to emulate the Vegas casinopolitan design since 2002 down to the outright complete copying of specific casinos, urban plans, and mediascaped formulae of this original ‘Sin City.’ Casinopolitanization is found in its most mature and extensive expressions in and around Las Vegas. Clearly, smaller gambling hubs in the same state – from Reno to Laughlin or even Mesquite and Wendover – also can be studied as casinopolitanizing sites on much more limited articulations or focused scales. The global model was prototyped in Vegas, and it has become almost essentially stereotyped at such other less grandiose casinopolitanizing locales in Nevada. It seems clear, however, that the Macau SAR’s programs for expansive casinopolitanization draw directly off Las Vegas as an archetype as both Chinese enterprises and transnational gaming industries, since they are busily cloning much of Las Vegas on the new Cotai Strip

⁶ *Ibid.*, p. 399.

⁷ *Ibid.*, p. 399.

south of the old colonial city's core, even as the global credit crunch unfolded after 2007.⁸

In short, Las Vegas and Macau have become the “globalist experiments in casinopolitan development,” witnessing globalization as a dialectical process in which the movement of commodities, capital, money, people, images, information, and infrastructures is persistently expanded and accelerated.⁹ Macau's casino industry has recreated itself by utilizing the UN World Heritage status, the culture mix between the Portuguese and the Chinese, the destination resorts under the casino empires of Steve Wynn and Sheldon Adelson, and, most importantly, the geopolitical support from its motherland, China. Luke elaborated the comparative transformations of Las Vegas and Macau in the following way.

Reformatting Macau's old sleazy colonial casinos in Vegas-inspired excess to the point of simply reproducing ‘The Vegas Strip’ as ‘The Cotai Strip’ complete with copies, either essentially identical or quite close, of fabled Las Vegas resorts is what the consumer expects ... The casinopolitanism of Vegas and Macau are the most concentrated, complete, and concrete manifestations of more of the planet's multitudes' advances toward more urbanised living in, for and with the material ecologies of contemporary globalism.¹⁰

The transplant of the American Las Vegas-style of casino capitalism into Macau can be seen as a remarkable feature of “casinopolitanism” in the era of globalization.

The export of the Las Vegas model of the casino industry to Singapore and Macau, where a casino boom was evident, is likely to have a “boomerang effect” on the American city itself, according to Jonathan Galaviz.¹¹ Galaviz argues that there would be economic returns to the entrepreneurial and expansionist spirit of Las Vegas. He even predicted a new wave of economic growth in Las Vegas in the coming decade because of three main factors: the appeal of Las Vegas as a globally recognized brand; the city as an intellectual capital for the global casino gaming industry; and the city as a technological innovation center for tourism-focused software and technology companies. While Galaviz is optimistic about the reciprocal

⁸ *Ibid.*, p. 401.

⁹ *Ibid.*, p. 402.

¹⁰ *Ibid.*, pp. 403-404.

¹¹ Jonathan Galaviz, “The Boomerang Effect: Asia's casino industry growth can ‘fly back’ to benefit Las Vegas,” *UNLV Gaming Research & Review Journal*, vol. 16, no. 1 (2013), pp. 87-92.

benefits between Las Vegas and cities like Macau and Singapore that imitate the Las Vegas model, it remains to be seen whether the “boomerang effects” will come true in the future. Galaviz has remarked

Despite the success of its competitors, Las Vegas’ casino industry is certainly not dead; it is just alive in a different way. It will be alive in the future, as long as public policy makers think creatively while the private sector works in partnership with the state. Moving forward, the city should shift its focus to being globally relevant rather than nationally relevant. While Las Vegas has won the national relevance contest, it is in danger of losing in the global arena. In sum, it is vital that Nevada’s political leaders realize that the Las Vegas-based casino gaming industry has thrown its boomerang to many international markets around the world, and while local naysayers may lament this development, it also provides a tremendous strategic economic opportunity. Meanwhile, it is also important that Nevada’s private and public sectors know that it must be fully ready and enabled to catch the boomerang when it finally completes its journey home.¹²

The Internal Governance of Casinos

In the hotel industry, for example, the high turnover rate of hotel employees was attributable to a number of factors, including poor pay, inferior employment conditions, and, most importantly, the deficiency in human resources practices.¹³ Ideally, the role of employees should be specified clearly; the rules of acceptable behavior documented; the consequences of violating behavioral standards stated; and the tools of supporting, training and appraising employees available.¹⁴

The ways in which casinos are designed can shape the behavior of gambling participants. One study of 158 gamblers in Macau showed that the quality of the casino services could influence the pleasure, arousal, and dominance emotions of gambling clients.¹⁵ Casino operators could benefit from designing facilities that make customers feel satisfied, excited and in control. Specifically, seating comfort, cleanliness and interior decoration

¹² *Ibid.*, p. 92.

¹³ Shweta Upamanyu, “Managing Attrition through HR System in Hotel Industry,” *International Journal of Multidisciplinary Approach and Studies*, vol. 1, no. 6 (November/December 2014), p. 510-522.

¹⁴ *Ibid.*, p. 512.

¹⁵ Hei-Lim (Michael) Lio and Raymond Rody, “The Emotional Impact of Casino Servicescape,” *UNLV Gaming Research & Review Journal*, vol. 13, no. 2 (2009), pp. 17-25.

could affect how customers perceive the overall quality of casino services. As a matter of fact, since 2002, the casinos in Macau have attached great importance to not only space, comfort and architectural attractiveness but also a relaxed environment where customers can have breakfast, lunch and dinner if they stay in the casino complex for a whole day.

The Macau VIP rooms have a unique system. While VIP rooms in casinos in other countries are owned and operated directly by casino operators, most of the VIP rooms in Macau are contracted out to a third party who can bring in the high rollers to gamble.¹⁶ This third party signs a contract with the casino operator or concessionaire that specifies the minimum dead chip sales handled by the VIP-room contractor, the commission and the monetary penalties to the contractors in case the objectives cannot be met. This contractual arrangement forces the contractors to look diligently for wealthy people to gamble in the VIP rooms. The regulations governing the VIP rooms are stipulated in Law No. 16/2001, *The Legal Framework for the Operations of Casino Games of Fortune*, and Administrative Regulation No. 6/2002 on the conditions and procedures of issuing licenses to gaming promoters. Prior to 2002, Macau's casinos were self-regulated by the private sector, with little supervision from the government. Under the new law and regulation of 2001 and 2002, a VIP-room contractor is regarded as a gaming promoter as their key function is to bring in high rollers to gamble in a casino. A contractor does not own a VIP room because most of its operation is under the management of the casino concessionaire. The role of the contractor is to provide the so-called "one dragon service," including transportation, accommodation, recreational activities, credits arrangement, and gaming debt collection to the high rollers. Hence, the VIP-room contractor can be seen as an intermediary. Law No. 16/2001 defines a gaming promoter as an agent promoting the games in casinos through the provision of transportation, accommodation and entertainment. As such, the work of a VIP-room contractor meets the definition of a gaming promoter. However, another group of workers in the VIP rooms, the customer representatives of a contractor, conduct most of the marketing work. Quite often, the customer representatives introduce the high rollers to the VIP rooms. Yet, these customer representatives receive a commission from the VIP room contractors rather than the casino concessionaries, and therefore they do not fall into the definition of gaming promoter, who receives a commission from the casino concessionaire. Due to this legal loophole,

¹⁶ Changbin Wang, "Licencing VIP-Room Contractors or Gaming Promoters in Macau: The Status Quo and Improvement," *UNLV Gaming Research & Review*, vol. 18, no. 2 (2014), pp. 105-111.

some people with problematic or criminal backgrounds can penetrate the casino industry through the cooperators, or customer representatives, of the gaming promoters. Although the cooperators are required by law to submit their identification document and any criminal records to the regulatory body, the government does not appear to forbid those with criminal records to operate as customer representatives. As such, in 2013, under the operation of 230 gaming promoters, there were a few thousand cooperators active in the casino industry. Nevertheless, it remains difficult to measure the extent to which criminal activities, such as loan sharking and debt collection through violent means, persist behind the scenes. Overall, the Macau government is in a dilemma about regulating VIP rooms. On the one hand, it has regulated casino concessionaires, contractors and gaming promoters. On the other hand, strict regulations could have produced a dampening effect on the casino businesses, especially VIP rooms where mainland high rollers have been active. After all, casino revenues account for a large proportion of income for the Macau government. Under these circumstances, even though the existing laws and regulations governing casinos have loopholes, the *status quo* is maintained to strike a delicate balance between casino interests on the one hand and proper regulations on the other.

Casinos and Crime

While it is debatable whether the establishment of casinos brings about an increase in local criminal activities, it is natural that criminal acts within the casinos proliferate easily. A study of American casinos showed that protection against insider theft includes several tactics. First and foremost, cash is stored in a secure vault and chips rather than cash are used, which can be a useful anti-theft measure. Second, internal checks and balances against employees are managed by security personnel, who see dealers, waitresses, cashiers, and treasurers as being vulnerable to committing crime. Third, surveillance cameras are utilized extensively as a deterrent to crimes committed by either casino employees or customers. Fourth, suspects are closely monitored to identify any insider theft or collusion between casino staff and clients. Fifth, casinos maintain a blacklist of individuals who are barred from entering the premises, while the access badges and identity card of terminated employees are confiscated and necessary changes in door codes made. Sixth, intensive security training is offered to new recruits and security personnel so they can detect cheating behavior. Seventh, while floor employees earn reasonable wages but also get tips, security and surveillance personnel receive higher salaries as they do not receive tips.

Eighth, cash and chip transfers between the vault and cages, and between cages and gambling tables, require tight security escorts and signatures from both the deliverer and the receiver. Ninth, dual concurrence is required for staff members to enter and exit the count room, and a two-person team is present for such a count. Tenth, staff can exchange chips they receive as tips at the main cashier, where cashing a large number of chips would raise doubts about integrity. Eleventh, dealers' tips are placed in a locked token box located at each table and then distributed among dealers at the end of the week on the basis of the number of hours they worked. Twelfth, uniforms for the floor staff are designed to prevent theft. Sleeves are typically elbow-length and pockets disallowed or covered with an apron. Finally, casinos share information on thefts and threats, including suspect descriptions and their operations. Overall, casinos need tight security in order to prevent inside theft and cheating by customers.

Casinos and Liberalization

The criminal activities that stemmed from the struggle among triads in Macau shortly before its return to the PRC led to the decision of both the Macau government and Beijing to liberalize the local casino industry. As James Fallows argued, "Pushed by regulators like the Nevada Gaming Commission, America's big gambling companies in Macau have been made into tribunes for good governance, transparency, rule of law, and a cleanup of the VIP business."¹⁷

The liberalization of the casino industry in Macau began in 2002 when twenty-one companies submitted tenders but only three were selected to receive 20-year contracts to operate casinos.¹⁸ They were Sociedade de Jogos de Macau (SJM), Galaxy Casino and Wynn Resorts, with the last two being American companies with their main operation in Las Vegas. Sands Macau opened in 2004 and attracted a huge crowd. Later, each of the three casino concessionaries could appoint another concessionaire, leading to the operation of six casino franchises in Macau. By 2009, there were 32 casinos – a significant increase from 11 casinos in 2002. The casinos pay a special gambling tax of 35 percent levied on their gross revenue, producing almost 75 percent of the total government revenues in Macau. Moreover, the casino

¹⁷ James Fallows, "Macau's Big Gamble," *The Atlantic*, September 2007, pp. 96-105, especially p. 104.

¹⁸ Philip H. Loughlin and Clifton W. Pannell, "Gambling in Macau: A Brief History and Glance at Today's Modern Casinos," *Focus on Geography*, vol. 53, no. 1 (Spring 2010), pp. 1-9.

franchises pay up to 3 percent of their gross revenues to the tax authorities and around 2 percent to public charities.

Casinos and the State

Casino development can trigger land-use planning, with decisions made by the government concerned. In the United Kingdom, “casino developments are not simply new constructions in defined localities, but raise a host of strategic, regional and local considerations, which form the context to the determination of land use planning issues associated with this new form of development nexus.”¹⁹ The Betting and Gaming Act 1960 permitted the existence of commercial bingo halls provided that membership, fees and charges were restricted. In 1999, the British government set up a review committee studying the gaming industry, and it came up with various recommendations, including the transfer of gambling responsibility from the Home Office to the Department of Culture, Media and Sport in 2001. The Department published a *white paper* in 2002 and adopted a more liberal policy than before by making the gaming industry more accessible to the public and maximizing the potential fiscal gains from gaming to the national economy. In 2004, the Department capped new casino developments to eight for each of the three casino groups in Britain, thereby setting the broader context of land use planning system.²⁰ The Gambling Act 2005 allowed casinos to persist on the condition that adequate protection safeguards the interests of the young and the vulnerable, and to render casino organizations relatively free of the influence of crime. Explicit reference was also made to how casino development would contribute to local regeneration. The 2005 Gambling Act also specified that 17 new casinos would be permitted, but divided into three categories in accordance with their size and the number of gaming machines. In September 2005, an independent casino advisory panel was appointed to identify the areas suitable for casino developments, which considered social, economic, land use, and environmental impacts. The spatiality of casino development was expected to not only enhance employment and job opportunities but also contribute to local economic regeneration.²¹ The liberalization of casinos and gaming led to other transformations, including the possible drift to 24-hour alcohol licensing, social conflicts, impacts on individuals, and

¹⁹ Lesley McMahon and Greg Lloyd, “‘*Rien ne va Plus*.’ Casino Developments and Land Use Planning,” *Planning, Practice & Research*, vol. 21. No. 2 (May 2006), pp. 257-266.

²⁰ *Ibid.*, p. 259.

²¹ *Ibid.*, p. 262.

difficulties in building a sense of community in places where casino thrived. As such, “this layering of questions demands a sensitive and sensitized approach to casinos as vehicles for economic development and community regeneration.”²²

The role of the Singapore state in the development of casinos deserves our attention as it displays several characteristics.²³ Given that casinos are controversial attractions, the Singapore state adopted unique strategies. First and foremost, it made casinos multi-purpose, innovative and iconic attractions rather than giving the monolithic impression of encouraging gambling. Second, the Singapore state divided the issue of establishing casinos into stages: (1) debating the issue through public consultations and discussions on economic competitiveness, creative marketing and cultural tourism; (2) requesting concepts from investors and developers; (3) the governmental approval of development proposals and the minimization of social costs by imposing entrance fees for gamblers, credit bans to deter local residents, and charity donations to enhance the casinos’ social responsibility; (4) the Tourism Board formally requested proposals from potential casino operators; (5) the response from casino companies to the request for proposals; (6) submission of proposals; and (7) proposal selection and evaluation.²⁴ The final stage of proposal selection was characterized by the formation of a five-member Ministerial Tender Approval Authority (TAA) headed by the deputy prime minister. The TAA was assisted by a Tender Evaluation Committee (TEC) and Design Evaluation Panel, which was composed of civil servants assessing the proposals. The proposal from the Las Vegas Sands was chosen as closest to the achievement of the government’s economic and tourism objectives. Once the government’s decision on the successful bidders was made, rigorous rules were implemented to oversee the financial integrity of the casino operators, introduce architectural guidelines for the resorts, and prevent the emergence of problem gamblers. Although there were concerns about how feedback loops could be incorporated into each stage of the development of the new casino industry so that public input was utilized sufficiently, the Singapore state played a critical role in forging partnerships with the private casino operators. Hence, the Singapore model of casino governance is characterized by a strong developmental state, meticulous

²² *Ibid.*, p. 264.

²³ Joan C. Henderson, “Managing the Planning and Development of New Visitor Attractions: A Singapore model,” *Managing Leisure*, vol. 12 (January 2007), pp. 24-42.

²⁴ *Ibid.*

planning, rigorous legal supervision, and proactive preventive measures against the possibility of addictive gambling among the residents.

Although the development of Singapore as a global city conforms with the vision and legitimacy of the Singapore state, non-state actors have portrayed the public housing estates as the “heartland” of Singapore, where ordinary people can reshape the national identity amidst the rapid process of global cosmopolitanism.²⁵ This unconventional and perhaps grassroots perception of the “heartland” in Singapore is significant because it challenges the view of “casinopolitanism” that impinges on Singapore’s urban development. From the neoliberal perspective, “casinopolitanism” has become a hallmark of Singapore, but from the grassroots approach to examining the global city, public housing estates that accommodate most ordinary citizens are arguably the competing feature of the Singaporean state.

Casinos and Societal Impact

Casino development can be seen as a crucial developmental strategy shaping land use and urban planning. In Singapore, the development of the Marina Bay from 2002 to 2012 was led by a strong state as government planners sought input from foreign and transnational experts; imitated the design of Fisherman’s Wharf in San Francisco, the Sydney Harbour in Australia and Battery Park in New York; and built up a unique urban landscape in the midst of neoliberal globalization.²⁶ In short, “Singapore clearly wanted to emulate and even exceed the best of the global.”²⁷

In 2010, Singapore planned for two integrated resorts where casinos would be established, with one resort focusing on a model of meetings, incentives, conventions, and exhibitions in Marina South and another based on an entertainment theme park on the island of Sentosa.²⁸ The two resorts were expected to open in 2009 but the global financial crisis and the related rising construction costs postponed their opening until February 2010, when Resorts World Sentosa opened its doors to visitors, and April 2010 which is

²⁵ Angelia Poon, “Common Grounds, Multiple Claims: Representing and Constructing Singapore’s ‘Heartland,’” *Asian Studies Review*, vol. 37, no. 4 (2013), pp. 559-576.

²⁶ Erica X. Y. Yap, “The Transnational Assembling of Marina Bay, Singapore,” *Singapore Journal of Tropical Geography*, vol. 34 (2013), pp. 390-406.

²⁷ *Ibid.*, p. 395.

²⁸ Faizal bin Yahya, “Singapore in 2010: Rebounding from Economic Slump, Managing Tensions between a Global City and a Fledgling Nation State,” *Southeast Asian Affairs 2011* (Singapore: Institute of Southeast Asian Affairs, 2011), pp. 257-270.

when Marina Bay Sands (MBS) started operations. The MBS targeted the Asian region, which would make up 40 percent of its business and expected huge revenues, with 60 to 70 percent from the casino. Many Singaporeans opposed the establishment of casinos, including the provision of free shuttle buses to transport gamblers from the residential heartlands, the Central Business District and the Orchard Road shopping belt. In order to minimize any negative social impact on the local people, the Singapore government imposed advertising restrictions, withdrew the free shuttle bus rides, and confined the casino operators to promote gambling to the tourists.

The Singapore city-state is unique in its governance, paying special attention to tourism that helps sustain the growth and identity of Singapore as the “center of culture, heritage and commerce.”²⁹ Most visitors to Singapore come from India, China, Japan, the countries of Association of Southeast Asian Nations (ASEAN), Australia, the United Kingdom, and the United States. The Singapore Tourism Board has played a crucial role in stimulating tourist development since 1964. It planned a program of investment in new tourist attractions, including the opening of the Changi Airport, the rapid rise of the Singapore Airlines as a premium carrier, and the redevelopment of the historic riverside Boat and Clarke Quays into lifestyle venues, conservation sites and commercial as well as tourist centers. In the 1990s, the Tourism Board also developed its plan of expanding tourist space, putting a high priority on the arts and cultural tourism, and cooperated with the Ministry of Information, Communications and the Arts to remake Singapore a cultural city characterized by ecological conservation, arts and heritage, adequate convention and exhibition centers, and attractive shopping malls. The Singapore Grand Prix and the Marina Bay Sands and Resorts World were aimed at attracting more tourists, including businesspeople and families. In a nutshell, the Singapore Tourism Board has played a very proactive role, with long-term plans to sustain and maintain the city-state as a special cultural, artistic and commercial center.

A study of two casinos in northern Alberta, Canada, demonstrated that the views of leaders and residents in the Aboriginal community could be gaged more accurately through focus group interviews than by relying on quantitative data.³⁰ It was found that community-based perspectives could

²⁹ Joan C. Henderson, “Planning for Success: Singapore, The Model City-State?” *Journal of International Affairs*, vol. 65, no. 2 (Spring/Summer 2012), pp. 69-83.

³⁰ Yale D. Belanger, Robert J. Williams and Jennifer N. Arthur, “Assessing the Impact of the Introduction of Casinos in Two Northern Alberta First Nation Communities,” *American Review of Canadian Studies*, vol. 42, no. 1 (March 2012), pp. 1-19.

be understood through the methodology of focus groups interviews in which First Nations casinos were perceived as promoting local economic development.

Casinos are usually viewed as a means of stimulating local economic development, but their emergence was also seen as a neoliberal urban development in the city of Chester, Pennsylvania, where social polarization and uneven development, or “cities within cities,” persist, as argued by Christopher Mele.³¹ The neoliberal strategy of urban development was characterized by local state power becoming a tool for private markets to create isolated spaces of luxury shopping, entertainment and housing schemes disconnected from the poor and the needy. Chester, a small city located on the Delaware River, was no exception to this phenomenon. Its industrial decline and suburban outmigration in the twentieth century led to the need for local government authorities to rethink their urban development strategies in the 1990s and 2000s. In June 1994 the Chester City Council passed an ordinance requiring new industries interested in conducting business in the city to certify that their operation would not increase the overall pollution levels. The opening of Harrah’s casino and racetrack in 2007 represented an attempt by the local government to stimulate economic development but many county and state legislators were anxious about the idea of gambling companies profiting from the tax-free zones. The leaders of Chester portrayed the casinos as having positive impacts on the city’s revenues, restaurant businesses, job creation, and local tourism. While the city accommodated private developmental needs, it also initiated policies such as tax cuts and direct subsidies, policies that could be seen as the “roll-back and roll-out” that marked the neoliberal strategies of governance.³² Yet, the neoliberal urban development had “mostly negative” consequences on the majority of poor and disenfranchised residents, whose dilapidated homes and job opportunities were not beneficiaries of casino development.³³ The city of Chester remains fragmented, with gamblers in the casinos, the sports fans at the soccer stadium, workers in their office complex, and prisoners in their prisons. Class exclusion and racial segregation remain. Hence, neoliberal urban development could not tackle such problems as wealth and income disparities, and the enclave’s development is exclusionary in nature. This critique of Chester’s developmental path, to

³¹ Christopher Mele, “Casinos, Prisons, Incinerators, and Other Fragments of Neoliberal Urban Development,” *Social Science History*, vol. 35, no. 3 (Fall 2011), pp. 423-452.

³² *Ibid.*, p. 447.

³³ *Ibid.*, p. 448.

some extent, can be seen in Macau, where income disparities have arguably remained serious amidst the rapid development of the casino industry since 2002.

Casinos and Mainland Gambling Addiction

Although mainland China bans gambling activities, the proliferation of underground casinos, the popularity of sports and welfare lotteries, and the ability of mainland tourists to visit Macau and gamble there have led to gambling addiction.

A study of 99 mainland high rollers in Macau demonstrated that they displayed social problems caused by addictive gambling, with one-third of them being government officials and others mostly managers of state-owned enterprises and owners of private companies.³⁴ Most of them were middle-aged males whose early wins, seen as exciting experiences, led to continuous gambling. They lost as much as US\$12.08 million in Macau on a single trip, and accumulated about US\$3.36 million by the time they stopped gambling in Macau.³⁵ The main motivation was to win money or experience excitement. Most of the mainland high rollers came from Guangdong province, and their gambling behavior only stopped when it was highlighted by the mass media or detected by the mainland authorities. Many mainland officials were bought to the territory by VIP representatives, who knew their income level and the suspicious nature of their money. The VIP agents encouraged them to gamble in Macau and even lent mainland clients large sums of money. The absence of any casino control on the gamblers in the mass market or VIP rooms meant that some of them played in Macau casinos non-stop for several days and nights, while the VIP agents did not accept any responsibility for inappropriate levels of play. The agents were not required to have a license and they had strong incentives to maximize the level of gambling by their mainland clients. Key casino managers in American, Australian and British casinos are bound by codes of social responsibility but Macau does not hold VIP room operators and agents accountable for pathological play among the gamblers. As such, Macau's key casino personnel tend to have a financial incentive to encourage addictive or excessive gambling among the clients, which can end in career failure, death, suicide, imprisonment, or financial bankruptcy.

³⁴ Zhonglu Zeng and David Forrest, "High Rollers from Mainland China: A Profile Based on 99 Cases," *UNLV Gaming Research & Review Journal*, vol. 13, no. 1 (2009), pp. 29-43.

³⁵ *Ibid.*

The detrimental consequences of Macau's casinos on some mainland high rollers could be seen as the dark side of Macau's casino capitalism.

Casinos and Legitimacy

Some scholars have argued that controversial industry sectors, such as gambling, alcohol and tobacco, suffer from legitimacy problems.³⁶ As such, four strategies of seeking organizational legitimacy are adopted: construing, earning, bargaining, and capturing, as well as the pathways that combine these strategies. The construing strategy is a "base-line", aimed at producing "passive support and acquiescence," especially when a business organization perceives moral disapproval or potential misunderstanding of its activities. This strategy focuses on the moral basis and cognitive aspect of organizational legitimacy. Research on problem gambling and preventive measures tackling gambling addiction is conducted to address the moral legitimacy problems of casinos. The second strategy is the earning (threshold) one, which represents initiatives such as corporate social responsibility and setting up responsible gambling units (which can educate gamblers and prevent as well as treat gambling addicts), and is capable of generating passive support from stakeholders, including city councilors, local residents, mass media, and faith groups. The business organization concerned seeks to earn threshold and moral legitimacy by coping with the impacts on vulnerable groups in society. The bargaining (auxiliary) strategy seeks to enhance organizational legitimacy through the benefits to stakeholders by using various tangible resources, including material, employment, infrastructure, supply chain, financial, human, and skills training. Finally, the capturing strategy can be adopted to consolidate organizational legitimacy by delivering support from stakeholders, and by forming cooperative partnerships and agreements with residents, businesses, developers, and councilors. Casino companies in Macau, as this book will discuss, have adopted all these strategies to enhance their organizational legitimacy amidst concern about the negative impacts of the casino industry on society.

³⁶ Jon Reast, Francois Maon, Adam Lindgreen and Joelle Vanhamme, "Legitimacy-Seeking Organizational Strategies in Controversial Industries: A Case Study Analysis and a Bidimensional Model," *Journal of Business Ethics*, vol. 118 (2013), pp. 139-153.

Casinos and Crime

Although China's criminal law forbids gambling activities and the establishment of casinos, underground casinos have flourished and they have sometimes forged symbiotic relationships with gangsters. In the city of Chongqing, for example, the case of Wen Qiang and his connections with the "red mafia" is an excellent example of how underground casinos develop a political-criminal nexus in the PRC.³⁷ Using Diego Gambetta's definition of the mafia as organized crime groups producing, promoting and selling private protection, Peng Wang showed that red mafia composed of corrupt officials in China's criminal justice system were involved in the business of illegal protection. From June 2009 to March 2010, a "strike hard" campaign directed at criminal elements was launched by the former party secretary Bo Xilai, and a total of 3,348 people were arrested, including 50 officials like Wen Qiang, a former deputy police chief from 1992 to 2008 and then a justice bureau director from 2008 to 2009.³⁸ Wen cultivated an extensive network of criminal elements and corrupt officials to provide a huge "protective umbrella" for local gangs, taking bribes of Renminbi 16 million. He cooperated with his wife and corrupt police officers to protect drug traffickers. As a godfather, Wen secured the collaboration of the Chongqing public security bureau's deputy chief Peng Changjiang, frequently mingled with local gangsters in nightclubs, and provided protection for all sorts of illegal businesses such as gambling and prostitution. Wen and his collaborators became both police and organized crime bosses, monopolizing illegal businesses for over a decade. Under Peng, three gang bosses were co-opted, and police raids on nightclubs were all tipped off, paying lip service to anti-crime and anti-prostitution campaigns. Wen's black empire operated like a pyramid, with government officials at the top level providing all kinds of protection to the illegal businesses run by nine gang organizations at the street level. The nine organizations were actually triads, operating from 3 to 15 years, and with structure, hierarchy, an internal division of labor, and different sizes, ranging from 18 to 46 members.³⁹ The dragonheads, or gangland bosses, working under Wen's black empire had legitimate covers as nightclub owners, construction entrepreneurs, real estate managers, and motorbike

³⁷ Peng Wang, "The Rise of the Red Mafia in China: A case study of organized crime and corruption in Chongqing," *Trends in Organized Crime*, vol. 16 (2013), pp. 49-73.

³⁸ *Ibid.*, p. 56.

³⁹ *Ibid.*, p. 60.

moguls.⁴⁰ Free sex services were used by the triads to bribe corrupt officials in Chongqing. One gang boss, Chen Mingliang, even penetrated the political system by becoming a member of the People's Congress in Yuzhong district in Chongqing, thus enabling him to cultivate good *guanxi* with Wen and his corrupt officials. Some of the triad bosses under Wen's black empire not only opened gambling dens in Chongqing but also expanded their gambling businesses to Macau and Southeast Asia. One dragonhead even imitated the Macau casino operation and opened illegal gambling houses in Chongqing that adopted the "bate-ficha" business, as with Macau's casinos. Illegal gambling tours to Macau were also organized. A certain Macaunization of Wen Qing's black empire could be clearly seen while the political-criminal nexus with the involvement of high-ranking officials was a hallmark of the Wen Qiang case in Chongqing.

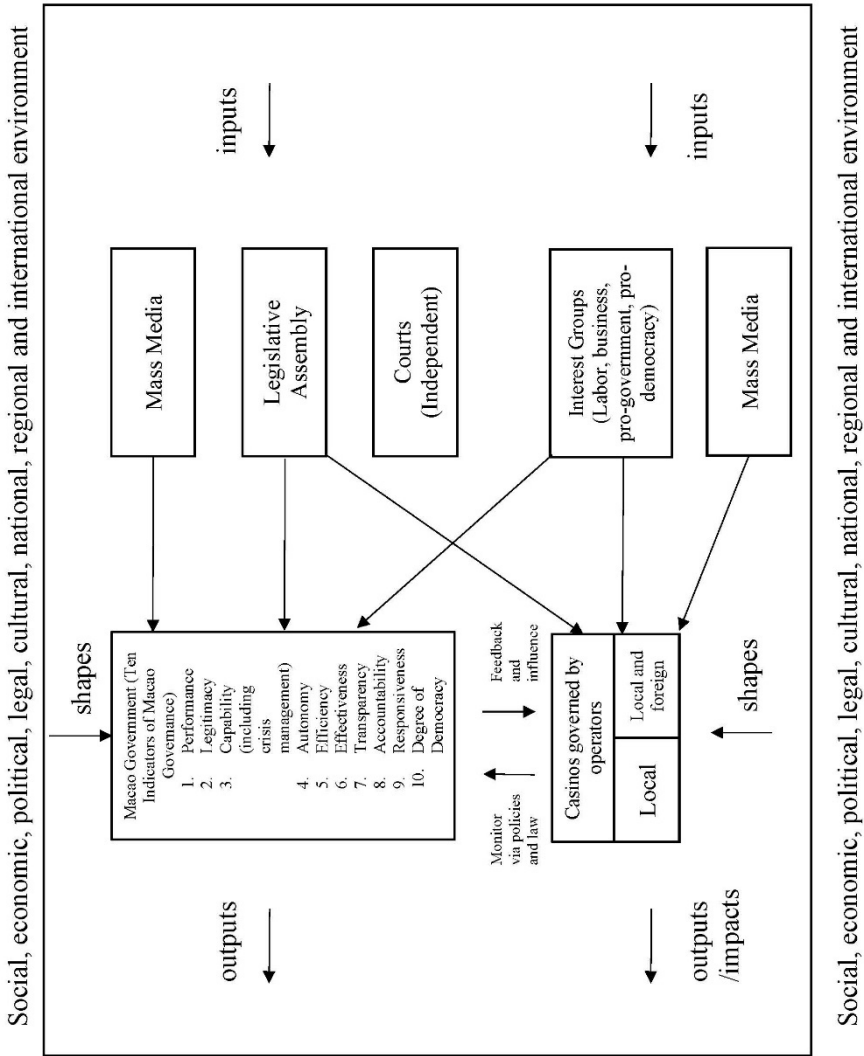
Toward an Analytical Framework of Understanding the Content and Context of Casino Capitalism in Macau

A system approach is proposed to study the content and context of casino capitalism in Macau. In Figure 1 shows the many aspects of the context or the environment of Macau's casino capitalism: social, economic, political, legal, cultural, national, regional, and international. Socially, casino capitalism may impact on issues like social stability, equality, employment, welfare, and urban planning.

Casino capitalism may bring about a more stable society, better equality, more employment, better welfare, and better urban planning. However, if a government mismanages casino capitalism, the impacts on the society can be negative, such as the phenomenon of social inequality and an unbalanced employment situation in which some unemployed people are not given sufficient chances to work while some are fully employed in the casino sector. Moreover, urban redevelopment and design may be neglected in the event of rapid casino growth, as we can see in the case of Macau from 2002 until recently, in 2019, when urban renewal became an urgent issue to be addressed.

⁴⁰ *Ibid.*, p. 61.

Figure 1: Governing Casinos in Macau: A System Approach



<p><i>Social</i></p> <ul style="list-style-type: none"> • Stability • Equality • Employment • Welfare • Urban Planning 	<p><i>Economic</i></p> <ul style="list-style-type: none"> • Prosperity • Downturn • Income gap • Casino capitalism • Diversification • Tourist industry • Other economic sectors 	<p><i>Political</i></p> <ul style="list-style-type: none"> • Stability • Governance (See ten indicators of Macao's governance) 	<p><i>Legal</i></p> <ul style="list-style-type: none"> • Rule of law • Judicial independence
<p><i>Cultural</i></p> <ul style="list-style-type: none"> • Attitudes toward gaming • Cultural heritage (Chinese and Portuguese) • American-style casino tourism 	<p><i>National</i></p> <ul style="list-style-type: none"> • The Chinese factor (law and politics) • Beijing's national security • Beijing's economic planning • Beijing's "one belt one road" policy and initiative 	<p><i>Regional</i></p> <ul style="list-style-type: none"> • Guangdong's development • Hong Kong's development • Competition and cooperation in the Pearl River Delta, especially relations with Zhuhai and Shenzhen 	<p><i>International</i></p> <ul style="list-style-type: none"> • Foreign investment in Macao's gaming sector • Attitude toward Macao's casino capitalism

Economically, casino capitalism may stimulate economic prosperity, as we can see in the case of Macau. But in the event of regional economic downturn, casino employees will be laid off, leading to unemployment. A rapidly developing casino economy, like Macau, may even create a serious income gap between the rich and the poor. Heavy reliance on casino capitalism may also produce economic dependence on the gaming industry, a phenomenon that the PRC has not encouraged in Macau's economic development. In fact, since January 2009, when the PRC Vice President Xi Jinping visited Macau but did not utter a word about casinos, the Beijing leaders have encouraged Macau to diversify its economy to other sectors instead of relying heavily on the gaming industry. China's intention was obvious: the MSAR has to manage risk assessment because any regional and local economic downturn would plunge Macau's economy and society into not only recession but also unemployment and potential social unrest. As such, Macau has to diversify its economy away from casino-led capitalism. Tourism must be encouraged, but many tourists are not just interested in casinos and gambling; many of them may be interested in historical and cultural heritage. Hence, Macau must develop its unique historical and cultural heritage sites so that the broad base of tourists can and will be consolidated.

Casino capitalism has a direct bearing on the politics of Macau. First and foremost, a healthy casino-led capitalist economy must bring about political and social stability. After all, the PRC emphasizes the need to maintain national security, socio-political stability, and the welfare of its citizens not only on the mainland but also in borderland regions like Macau and Hong Kong.

Macau adopts the "one country, two systems" principle with which its capitalist lifestyle will be maintained for 50 years. The Hong Kong Special Administrative Region (HKSAR) has also been implementing the same tenet since July 1, 1997, when the former British colony reverted sovereignty to the PRC. Nevertheless, as this book will discuss, Hong Kong is very different from Macau in many crucial aspects, and as such, the operation of the principle of "one country, two systems" in the two places is bound to be different.

The most important relationship between casino capitalism and politics is governance. The way in which casinos are governed directly or indirectly by the Macau government is arguably the most important context shaping casino capitalism. Casinos in Macau are run by private companies but the casino franchises and operations are controlled and monitored by the