

Internet Gambling

Background

Currently, governments in approximately 25 countries issue licenses or have passed legislation to permit internet gambling operations. Despite being illegal in the United States, online wagering is likely the fastest growing form of gambling in history. The number of online gambling sites jumped from one in 1995 to more than 2,000 in 2009. These sites offer a variety of gambling options including sports betting, casino games, lotteries, and bingo.ⁱ

As the number of gambling sites increases, so does the revenue. Since 1997, worldwide Internet gambling revenues increased from \$445 million to \$25.8 billion in 2009. Of this amount, \$5.4 billion came from players in the United States.ⁱⁱ In 2006, it was estimated that about six percent of all gambling losses in the United States came from Internet gambling.ⁱⁱⁱ

Historically, gambling entities such as the American Gaming Association (AGA) have opposed legalizing online gambling in the United States on three grounds: (1) the inadequacy of technological safeguards to prevent money laundering; (2) the problem of underage gambling; and (3) participation by residents of jurisdictions where online gambling is illegal.^{iv}

In May 2011, the AGA partially reversed its position, stating that “well-designed regulation can control the social risks that some fear from the legalization of online gambling,” and that “[Congress] should authorize a state-focused program to license U.S.-based operators to offer online poker only, preserving the ability of every state government to decide whether online poker should be available within its borders.”^v

ISSUE SNAPSHOT

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In December 2010, House Majority Leader Harry Reid (D-NV) introduced legislation that would provide for the licensing of Internet gambling activities, specifically online poker. The bill, which would overturn the 2006 Unlawful Internet Gambling Enforcement Act is alleged to allow only existing casinos in the U.S. to operate Internet gambling sites for the first two years after the bill passes.

Addiction: A growing number of studies show that Internet gambling rapidly recruits new gamblers and turns many of them into problem or pathological gamblers. It is easily accessible, available 24 hours a day, and there are thousands of sites where anyone with a credit card can gamble. Furthermore, like other forms of electronic gambling, the rapid pace of play and the small amount of time between wagers make it more likely to forget gambling losses and gamble again immediately.^{vi} Because of these characteristics, Internet gamblers are three to four times more likely to manifest problem gambling behavior than those who do not gamble online.^{vii} Indeed, among online poker players, a 2007 study found that 18 percent or about one in five could be defined as problem gamblers.^{viii}

GUIDE TO THE ISSUES

Online Crime: Because the Internet can be used anonymously, the lack of accountability can lead to criminal activity, which could occur in several ways. First, there is the possibility of abuse by gambling operators. Most Internet service providers (ISPs) hosting Internet gambling operations are physically located offshore; as a result, operators can alter, move, or even remove sites within minutes without fear of being pursued by legal authorities. This mobility makes it possible for dishonest operators to take credit card numbers and money from deposited accounts and then close down. In fact, about one-third of all Internet gamblers have had at least one dispute with an Internet casino or poker website.^{ix}

Second, it is difficult to prevent underage gamblers from playing on the site. While the magnitude of this problem is unknown, one 2006 study found that one-half of a sample of North American high school and college students had reportedly played on “free play” online gambling sites.^x

Finally, Internet gambling may provide an easy means for money laundering, either by the player or the site itself. How much money laundering has actually occurred is unknown, yet the potential is real, especially in jurisdictions where much online gambling is based.^{xi}

Recommendation

Ideally, the United States would enact a total prohibition on Internet gambling. This goal, however, raises several feasibility questions:

- Since the Unlawful Internet Gambling Enforcement Act came into effect in 2006, about half of all online gambling sites no longer accept wagers from U.S. residents. Nevertheless, anecdotal information suggests that many U.S. gamblers continue to place bets via foreign financial transaction intermediaries.^{xii}
- Holding ISPs responsible for information passed through their routers raises technical concerns. Most ISPs within the United States are local providers. Installing hardware that monitors

information would be very costly for operators and could lead to a dramatic slowdown in the general transmission of information on the Internet as well as the possibility of failures within the system. Likewise, filtering devices may rule out legally posted Web sites, including those with helpful information on where to receive treatment for problem or pathological gambling.

Further Reading

- Robert T. Wood and Robert J. Williams, “Internet Gambling: Prevalence, Patterns, Problems, and Policy Options.” Final report prepared for the Ontario Problem Gambling Research Centre; Guelph, Ontario, January 5, 2009. Available at <http://tinyurl.com/29nm6mr>. Access verified October 6, 2011.

ⁱ American Gaming Association, “Internet Gambling.” Available at <http://tinyurl.com/cofb6d>. Access verified December 22, 2010.

ⁱⁱ *Ibid.* Early estimates of Internet gambling from Christiansen Capital Advisors, LLC. Available at <http://tinyurl.com/3y4tsu8>. Access verified December 22, 2010.

ⁱⁱⁱ Focus on the Family, “Social Issues: Gambling.” Available at <http://tinyurl.com/37ybb6x>. Access verified December 22, 2010.

^{iv} American Gaming Association, “Internet Gambling.”

^v David O. Stewart, “Online Gambling Five Years After UIGEA.” American Gaming Association, May 18, 2011. Available at <http://tinyurl.com/6gsv2w4>. Access verified October 6, 2011.

^{vi} Mark Griffiths and Andrew Barnes, “Internet Gambling: An Online Empirical Study among Student Gamblers.” *International Journal of Mental Health and Addiction*, Vol. 6.2, 2008, 194-204. Available at <http://tinyurl.com/2ucyqzn>. Access verified December 30, 2010.

^{vii} Robert T. Wood and Robert J. Williams, “Internet Gambling: Prevalence, Patterns, Problems, and Policy Options.” Final report prepared for the Ontario Problem Gambling Research Centre; Guelph, Ontario, January 5, 2009. Available at <http://tinyurl.com/29nm6mr>. Access verified December 30, 2010.

^{viii} Richard T. A. Wood, Mark D. Griffiths, and Jonathan Parke, “Acquisition, Development, and Maintenance of Online Poker Playing in a Student Sample.” *CyberPsychology & Behavior*, Vol. 10.3, June 2007, 354-361. Available at <http://tinyurl.com/33ugoy2>. Access verified December 30, 2010.

^{ix} Jonathan Parke et al., “An Exploratory Investigation into the Attitudes and Behaviours of Internet Casino and Poker Players.” Study commissioned by E-Commerce and Online Gaming Regulation and Assurance (eCOGRA), January 2007. Available at <http://tinyurl.com/27b2dvd>. Access verified December 30, 2010.

^x J. L. Derevensky, R. Gupta, and J. McBride, “Internet gambling among youth: A cause for concern.” Presentation at the Global Remote and E-Gambling Research Institute Conference, August 31-Sept. 1, 2006, Amsterdam, Netherlands.

^{xi} Wood, Griffiths, and Parke, “Acquisition, Development, and Maintenance of Online Poker Playing in a Student Sample.”

^{xii} Wood and Williams, “Internet Gambling: Prevalence, Patterns, Problems, and Policy Options.”