The Regulation of Online Gaming Across Jurisdictions: Success, Standards and Stability

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Introduction

- 2005- fifteen to twenty million online gamblers from United States

- Online gaming by U.S. players currently worth an estimated $9 billion

- 2006- Security and Accountability for Every Port Act (SAFE)

- Unlawful Internet Gambling Enforcement Act (UIGEA)

- DOJ and "Black Friday"

Introduction

- UIGEA
- Purpose is to stop flow of money from gamblers to online casinos
- However this has not been the case
- People have found loopholes

Literature Review

- **An Analysis of Internet Gambling and its Policy Implications.** (Stewart, 2006)

- 73 jurisdictions that have legalized and regulated online gaming
- Mostly Antigua, Malta, and Gibraltar
- Most looking for financial gain
- Gaming Act 2005 (UK) could shift locations

Literature Review

- Leading jurisdictions have created regulatory structures

- Most share various basic fundamentals
  - Identification and residence
  - Fair and approved technology
  - Minimum gambling age
  - Loss limits and betting limits
  - Anti-money laundering

Literature Review

- **The U.S. on Tilt: Why the Unlawful Internet Gambling Enforcement Act is a Bad Bet.** (Alexander 2009)

- Predicted the UIGEA will fail to reign in online gambling.

- Argues that the U.S. federal government is treading an improvident course towards prohibition.

- Suggests the U.S. should abandon its current course and find ways regulate online gambling.

Literature Review

- **Four Phases of Internet Regulation.** (Palfrey 2010)

- 2005 to 2010 is know as access controlled phase
- Main feature is a series of mechanisms to limit access or information
- Possible fourth phase: access contested
- Certainly true in online gaming
- Question is no longer if it should be regulated but how it should be regulated
- **Research question:** How should internet gambling be regulated.

Methodology

- Research focuses on possible causes of growth, success, and stability.

- Units of analysis are the 73 jurisdictions (countries) that regulate online gaming.

Indicators of Success

- First experiment is a linear regression test between total gaming score and number of gaming sites.
- Independent variable: Total Gaming
- Dependent Variable: Number of Gaming Sites

Linear Regression Between Total Gaming and Number of Gaming Sites

Linear Regression Between Number of Gaming Sites and Total Gaming T Statistics in Parentheses	
Constant	-56.381 (-3.379)*
Total Gaming regression coefficient	47.549 (6.294)*
R Square	.358
Adjusted R Square	.349
*p<.05	

What game causes highest total gaming score?

- Difference of means test between total gaming and poker, casino, sports book, and lottery.
- Trying to find out which game has the biggest impact on total gaming score.

Difference of Means

	With Game	Without Game	Mean Difference
Poker	3.3500	1.3396	2.01035*
Casino	2.900	1.1860	1.71395*
Lottery	2.26671	1.2857	0.98095*
Sports Betting	2.3846	1.3235	1.06109*

*p<.05

Indicators of Growth

* Dependent variable: Growth Per Year

* Independent Variables: Annual Licensing Fees, Start-up Licensing Fees

* Looking to see how different types of fees affect annual growth of gaming sites among jurisdictions.

* Expect to see negative relationship between the variables.

Bivariate Correlation

Bivariate Correlation: Growth Per Year, Annual License Fee, Start-up License Fee		
Growth Per Year	**Annual Licensing Fee**	**Start-up Licensing Fee**
Pearson Correlation	-.183	-.597*

*p<.05

Indicators of Stability

- Linear regression test to test stability of jurisdictions
- Dependent variable: Number of Years Gaming
- Independent Variable: Stability Score

Linear Regression Between Number of Years Gaming and Stability Score

Linear Regression Between Number of Years Gaming and Stability T Statistics in Parentheses	
Constant	.924 (.570)
Stability Score regression coefficient	2.857 (3.854)*
R Square	.240
Adjusted R Square	.224

*p<.05

Conclusion

- For the most part there is statistical significance in the research

- However, research may only paint a broad picture.

- Variables such as tax statistics, employment statistics, number of players, etc. would be more helpful