Let Market Forces Regulate Internet Gambling

Americans like to gamble; in 48 states they can do so legally. However, a bevy of federal laws—The Wire Act (which bans interstate bets), the Professional and Amateur Sports Protection Act (which makes it impossible for almost all states to legalize sports betting), and the Unlawful Internet Gambling Enforcement Act (UIGEA, which imposes a variety of burdensome banking regulations in an effort to ban some types of Internet gambling)—make gaming over the Internet very difficult.

In a country where gambling has become a respected, mainstream pastime, these laws make no sense. Letting the free market regulate Internet gambling will result in the best outcome for gamers, Internet casino owners, and payment processing companies. Governments should enforce existing contract and criminal laws against force and fraud.

What people want, they will get. The use of the Internet for gambling was an inevitable outcropping of an activity many people want to engage in. People clearly enjoy gambling on the Internet and will keep doing so, whether it is legal or not. If Congress were to implement regulations effectively banning Internet gaming, then gambling, like any other prohibited activity, would simply shift to the black market where consumers do not have any legal protections.

Some proposed regulations on Internet gambling, such as the Unlawful Internet Gambling Enforcement Act, would do little to protect consumers and would throw a burden onto an already troubled banking industry, proving costly and confusing for financial institutions. The Act is less an Internet gambling regulation than a banking regulation. UIGEA would make it illegal for financial institutions to process payments related to "unlawful Internet gambling," but it fails to define which types of Internet gambling are unlawful. Such ambiguities make it likely that these institutions will simply decline to handle *any* transaction related to Internet wagering—whether legal or not—and thus constitute a de facto ban on gambling, which, as noted above, would drive the activity itself underground.

Allowing the market to regulate Internet gambling would also help boost international trade, while cracking down on it may hurt America's standing in this area. In 2004 the World Trade Organization agreed with Antigua when it claimed that U.S. regulations banning international Internet gaming sites in the United States violated international trade agreements.

Because gambling is essentially an entertainment activity where participants enjoy the possibility to profit, there is no reason to assume that private market oversight or certification would be insufficient. Like cruise ship casinos, which voluntarily abide by specific regulations and agree to audits of their operations, Internet casinos could voluntarily submit to review by a regulator. Inevitably, competition among private auditors would result in greater oversight than one federal watchdog. Auditors could offer a certificate or rating to guide consumers to the sites at which they are most likely to have fair play.

Michelle Minton