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ETHICAL ISSUES

Gambling and the Internet^{4,5}

Most people think of gambling as sitting in front of a blackjack table or a slot machine in a Las Vegas casino, but more and more people are turning to the Internet to gamble. Online gambling exploded onto the Internet in August 1995, when Internet Casinos, Inc., became the first online casino to accept real wagers. Since then, online gambling has grown into a multibillion-dollar-per-year business, with most of the businesses being run offshore. In 2008, Internet gambling sites earned revenues of \$5.9 billion from players in the United States alone and \$21 billion worldwide.

Internet sites offer online poker, roulette, blackjack, pachinko, baccarat, sports betting, bingo, and lotteries. With the advent of smartphones, mobile gambling has become popular. As of March 2011, more than a dozen mobile casinos were operating.

With the growth of the online gambling industry, the issue of fraud has become a serious problem. The potential for fraud over an Internet gambling site is quite high. Gamblers provide credit card information and Social Security numbers to start an account, trusting that the games will be run fairly. In the United States, all traditional casinos are regulated by the Ameri-

can Gaming Association to be sure that the games are run honestly. With the design of the Internet sites, however, it is impossible for the user to know whether the games are operated fairly; instead, gamblers must rely solely on the honesty of those operating the site—about whom they know nothing.

Another problem with Internet gambling is that it reduces state tax revenues. State governments earn profits from state-run gambling organizations, but they lose revenue from gamblers who use Internet gambling sites because these are run offshore and are not subject to state taxation. Some states have been relying on state gambling laws to curb online gambling: Illinois, Indiana, Louisiana, Massachusetts, Nevada, Oregon, South Dakota, and Utah have all passed laws banning Internet gambling. State regulation is for the most part ineffective, however, because the Internet goes beyond state and national restrictions.

The U.S. Congress has worked over the years to pass legislation that would ban all Internet gambling, but because such a ban would be so broad in scope, lawmakers have been largely unsuccessful. In 2011, the U.S. Justice Department changed its position on Internet gambling by stating that the Interstate Wire Act of 1961 applies only to sports



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