

The
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A special report on gambling

Shuffle up and deal

The internet is radically changing the business of gambling. Now policy must catch up, argues Jon Fasman (interviewed here)

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PINPOINTING a precise moment when the world changes is never easy, even in retrospect. Yet it is possible to say with relative confidence that the world of gambling was changed dramatically by events around a green felt table at Binion's Horseshoe in Las Vegas on May 23rd 2003, the final day of that year's World Series of Poker (WSOP). The hand immediately preceding the final table—the last nine of the tournament's 839 competitors who would play for \$2.5m—pitted Phil Ivey, one of the sharpest and most ruthless players of his time, against Chris Moneymaker, an unknown 27-year-old accountant from Nashville. The newcomer eliminated Mr Ivey thanks to a lucky draw on the last card dealt. Mr Ivey, a stone-faced old-school player, declined to shake his vanquisher's hand. Mr Moneymaker went on to win the tournament.

His victory created what came to be called "the Moneymaker effect": interest in poker soared. Suddenly spending time playing a game on a computer looked like a road to riches. And those riches seemed attainable. The stars in poker, unlike those in professional sport, look very much like the spectators; they just happen to be more successful. In the years since Mr Moneymaker's victory, the tournament has variously been won by a patent lawyer, a Hollywood agent and a 21-year-old professional poker player.

It is not just professional poker that has changed out of all recognition in the past decade but all forms of gambling worldwide. The reason has been simple: for the first time anyone who wants to gamble and has an internet connection can do so. The desire has been there for much of recorded history. An excavation of a bronze-age city in south-eastern Iran turned up a pair of dice dating back nearly 5,000 years. Islam forbids gambling, but the Bible mentions casting lots or using fortune to determine an outcome. Card-playing for money has often been depicted in art (see detail above of Georges de la Tour's "The Cheat with the Ace of Diamonds", circa 1635-40).

Gambling's widespread and enduring appeal comes as much from the hope of imposing order

on the fundamental randomness of the world as from the expectation of economic gain (though that certainly has its charms). Blaming a bad result on an offended spirit or a good result on divine favour is far more comforting than accepting the cold indifference of probability.

But there is a darker side to gambling with which ancient civilisations were also well acquainted. The Rig Veda, a collection of Hindu religious hymns more than 3,000 years old, contains a section known as the Gambler's Hymn which laments: "Without any fault of hers I have driven my devoted wife away because of a die exceeding by one [an unsuccessful bet]. My mother-in-law hates me; my wife pushes me away. In his defeat the gambler finds none to pity him. No one has use for a gambler, like an aged horse put up for sale."

As the newly single poet above had just discovered, the numbers make most forms of gambling a mug's game. The odds of winning the jackpot in America's richest lottery, Mega Millions, is one in 176m. EuroMillions, available to players in nine western European countries, offers slightly better odds: one in 76m. Roulette players, on average, will hit their number once in 36 or 37 attempts. Poker players' chances of being dealt a royal flush are much the same as being struck by lightning.

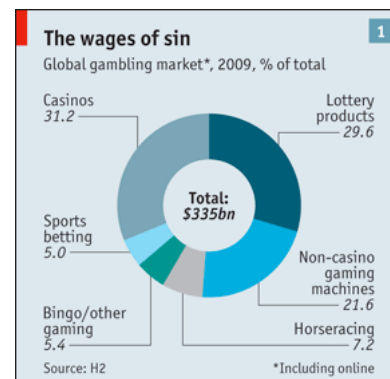
A majority sport

Yet hope never dies. In 2007 nearly half of America's population and over two-thirds of Britain's bet on something or other. Hundreds of millions of lottery tickets are sold every week. The global gambling market is estimated to be worth around \$335 billion a year (see chart 1). Last year Las Vegas alone raked in gambling revenues of \$10.4 billion and Macau \$14.7 billion.

For Las Vegas, that represents a decline in revenue from 2008. By contrast, revenues from online gambling continue to rise. H2 Gambling Capital, a consultancy that monitors the global gambling market, estimates online gambling revenues in 2009 at around \$26 billion (see chart 2). The world's gambling centres are no longer just Vegas, Macau and Monaco; they now also include Alderney, Gibraltar, Antigua and Malta, whose favourable tax systems make them irresistible homes for internet-based companies.

Thanks to these companies the old restrictions have started to crumble. Government prohibition of online gambling has worked about as well as prohibition of other online content, which is to say it is observed mainly in the breach. America remains the world's biggest single online gambling market by far, despite the passage in 2006 of the Unlawful Internet Gaming Enforcement Act (UIGEA)—a provision tacked onto a port-security bill that prohibits the transfer of funds from a financial institution to an online gambling site. After the ban some established sites closed down their American operations, but others filled the void. Americans are gambling roughly the same amount online as they did in 2006.

The move online threatens some traditional forms of gambling, such as betting on horses, but appears to benefit others, such as slot machines and lotteries. And bricks-and-mortar expansion still continues. The latest addition to the Las Vegas Strip, CityCenter, opened last



December. Covering 76 acres (31 hectares) and costing around \$8.5 billion, it is the largest privately funded construction project in American history. Thirty-three American states have casinos (many of them operated by around 200 Native American tribes), as do more than 20 countries across Europe. The Las Vegas Sands Corporation, which owns the Venetian casinos in Las Vegas and Macau, opened Marina Bay Sands in Singapore in April. Sheldon Adelson, Sands's chief executive, believes that Asia can easily accommodate "five to ten Las Vegases".

In the past ten years gambling has changed more than in the previous 70. The internet has forced existing businesses to adapt, opened up new opportunities and fundamentally altered the political, economic, corporate and moral climate in which these businesses operate. This special report will trace those changes through the main forms of gambling, which sadly will mean neglecting strong but local passions such as greyhound racing, bingo, *jai alai* and cricket fights. It will begin with Mr Moneymaker's game.

Special reports

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