THE JOY OF GAMBLING

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Atam Uppal was the founding Director of Operations for the Ontario Casino Corporation. He played a key role in the development of policy and implementation of the casino initiative in Ontario, Canada. He has been responsible for the development of four commercial casinos, including a riverboat casino, over the past five years. These include Casino Windsor, Northern Belle, Casino Rama and Casino Niagara. The casinos now generate more than $2 billion and attract over 20 million visitors annually. Mr. Uppal has assisted various other jurisdictions including South Africa, United Kingdom, India, and Nepal. He is now an independent gaming consultant and the Vice President of Econometric Research Limited, a prominent econometric research firm engaged in the study of economic impacts and optimization of casino space. He has also served as an Economist and Senior Policy Advisor to the Minister of Finance, Government of Ontario, Canada.

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Preface

The Indian response to gambling may be summed up as 'socially acceptable with confusing legal framework'. While some gambling activities are outlawed others are allowed. It is time to resolve this confusion and harvest the huge social and economic benefits of legalized gambling.

Gambling is a stringently controlled activity in India. Various federal and state laws make operation of a gaming house illegal except in jurisdictions that have passed specific enabling legislation (Goa is the only example so far). Other forms of gambling such as lottery is controlled by state legislation and most states have their own laws regulating public gambling. Concerned agencies and state bodies have intermittently sought for a partial opening of the sector--- in particular casino operations---but they have been snubbed by the Central government under one pretext or the other.

The restrictions on gambling impinge on our basic freedom to choose and act as capable individuals and informed decision makers. As a free nation of free people we should have the right to make our choices ---and the right must be granted the same sanctity as the right to free speech. Those who do not wish to gamble must be respected for their wishes just as those who wish to must be respected for theirs.

The restrictive regulations on the issue have proved detrimental in many other tangible ways. It has eliminated the possibility of an economic activity that would have had a multiplier effect benefitting a large number of people. It has robbed the entrepreneur of an enterprise. It has robbed hundreds of an employment option. It has also robbed the exchequer a share of the earnings that would have ensued from gaming houses.

Prohibition on gambling has also deprived the citizen of a valid entertainment option. And deprived thus, he has been seen emptying the wallet in casinos abroad. A major gaming club in United Kingdom has reported that it earns about US $12 million annually from Indian clients. Indians are legendary in Nepal's casinos. It may not be farfetched to say that a reasonable fraction of this outflow would be contained were there casinos and other gaming options in our own country.

Legalising gambling is likely to have other positive outcomes as well. It will bring an end to illegal gaming activities - which at present provide a principal source of economic clout to gangsters. Take the instance of English soccer. With betting for the game being legal, there are no instances of match fixing or underhand operations. The same could hold true for cricket or even Mumbai's localized 'matka' drawing.

Once the sector is opened up, greater investment, including foreign ones, would follow. Introduction of new technologies would create an atmosphere where gambling would be an enjoyable and entertaining activity. Innovative management practices would seek to welcome the customers with a lot of value additions. This would be a far cry from its present kerbside existence, always in search of some benign cover.

It must also be mentioned that most Indians play the dice in one form or the other at regular or irregular intervals. During the days preceding the festival of Diwali, for example, gambling turns into a social activity and is practised as openly as eating or drinking--- despite it being a prohibited activity. Such a mockery of the Law could not possibly augur well for the Law or for citizens' respect for the Law. It threatens to turn almost each one of us into criminals.

Clearly, the government needs to take a long and hard look at the subject. Especially against a scenario where the Internet has come to stay and Internet gambling---fast spreading and flourishing---has made all attempts to curb the activity, nay the instinct, futile.

We present here papers by three authors who have been studying various aspects gambling for many years, and two of them have in their individual capacities been involved in successfully managing gaming establishments. Rakesh Wadhwa discusses at large the moral implications of gambling; Atam Uppal makes a pointed case based on ground realities and Tom W. Bell puts into perspective the forces of Internet gambling.

We hope this will initiate a new discussion exploring the ways of harnessing man's age old inclination to take risks.

Barun Mitra
November 2002, New Delhi

Lotteries & Gambling: *A Historical Overview*

Rakesh Wadhwa

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Lotteries & Gambling: *An Historical Overview*

Introduction

Gambling is a primal instinct. The urge to take a chance is as old humanity itself. The day the Stone Age cavemen decided to venture out of his 'home' to hunt, he had learnt to gamble - on this occasion, with his life. Every time the farmer sowed seeds, he was gambling for sustenance. Every time someone made a new discovery, he had gambled against odds. Such circumstantial gambling was drawn from instincts. However, it did not take very long for man to turn the instinct into a game. Gambling as we know today existed even in primeval civilizations.

Archaeologists have owned large numbers of dice- shaped bones called 'astragalia' from prehistoric sites. These were apparently used in games thousands of years ago. Whether our Stone Age predecessors cast these objects for prophecy or amusement or simply to win their neighbours' stone axes, they began a custom that has survived both evolution and revolution.

Given its historical background, any attempt to ban gambling is bound to be a self-defeating exercise. To eradicate it would perhaps be as easy as eradicating procreation. Both originated, it would seem, at the start of mankind.

Ancient & Medieval Lotteries

The origin of lotteries is a moot point among lottery historians. It finds reference even in the Bible. Moses used a lottery to award land west of river Jordan.

The Romans and the Chinese were probably among the first to exploit the principles of lottery, using it mainly as a means for nstate expenditure. Around 100 B.C., the Hun Dynasty in China used lottery funds for defence, primarily to construct the Great Wall of China. At about the same time several continents away, Augustus Caesar sponsored one of the first known public lotteries to repair Rome. The Romans also had lotteries for private profit. India, however, has an even older history of gambling.

Gambling has been part of the Indian society from the time of its earliest epics. The story of *Mahabharata* wherein Pandava prince Yudhishtir loses everything and then his wife in a game of dice, was being told much before the age of Christ. Regulators had been appointed to set rules and approve dice and cards for gambling in India before the

Roman lotteries and as early as 321 B.C. During the festival of Diwali , it is a tradition among hundreds of millions of Indians to engage in various games of chance. This fact was recognized by the British in the Indian Gaming Act when it was written some 100 years ago.

Moving back to Europe, in 1446, the widow of the Flemish painter Jon Van Eyck held a raffle to dispose off her husband's remaining paintings. Then, again, in 1465, Belgium built chapels, almshouses, canals and port facilities with funds raised through lotteries.

The word 'lottery' is however believed to have originated only later---in 1515 from the Italian word 'lotto' meaning destiny or fate. This was the year in which six names were drawn for election to the Senate in Genoa, Italy; later the names were changed to numbers. Not much later, in 1530, another Italian town, Florence, established the 'Lotto de Firenze', awarding cash prizes for the first time. And thereafter, lotteries flourished in Europe.

In 1539 King Francis I of France authorized a national lottery to replenish his treasury and stop a haemorrhage of funds to foreign lotteries. In 1567 Queen Elizabeth I of England followed suit and established the first English State Lottery. 400,000 tickets were put on sale and prizes included plates and tapestry, besides cash.

USA - Early Experience

The American colonies of British Empire were floated on lotteries. In England, King James I created a lottery to aid Britain's first American colony in Jamestown, Virginia by a royal decree. The lottery was run by the Virginia Colonisation Company and two of the three prizes for the first draw went to the Anglican Churches. Lottery funded half of Jamestown's budget and was also used to fight disease, fire and famine in Virginia. The idea of lotteries, thus, crossed the Atlantic with its very first American settlers.

The 1700s saw America's founding fathers embracing lotteries with equal enthusiasm. George Washington used lottery money to construct the 'Mountain Roads' that opened up the west. Boston's historic landmark ' Faneuil Hall' was funded in a part by lottery operated by John Hancock. The March 1767 tickets bear his famous signatures. Thomas Jefferson, besides using lotteries to fund public projects, also turned to a lottery towards the end of his life to dispose off property and repay debts worth $80,000.

However, by far, the most important purpose for which lottery funds were used was to finance America's war efforts against, ironically, the British colonisers. Benjamin Franklin used lotteries to finance cannons for the Revolutionary War. George

Washington used lotteries to support the Revolutionary Army. By a resolution of November 18, 1776, the Continental Congress established a $10 million lottery, "for carrying on the present most just necessary war in defence of the lives, liberties, and property of inhabitants of these United States".

In southern US, lotteries were especially popular and funds were used, as in other regions of the country, to build bridged, schools and roads. From 1790 until the Civil War, lottery proceeds funded the construction of 300 schools, 200 churches and 50 colleges, including Harvard, Yale and Princeton.

The first lotteries in Georgia were authorized in 1784 and 1785 to raise money for a hospital and a poor house for seamen in the city of Savanna. Several more were authorized between 1790 and 1839 projects, including a court house in Screven County, constructions of streets in Milledgeville, and a fire company in Augusta.

During this period, lotteries continued to be in operation in Europe. In 1726, the Netherlands formed what is now the oldest lottery. In 1753 England held a lottery for establishing the British Museum.

The 1800s were a chequered period for lotteries in the US. The relative freedom enjoyed during the time of the founding fathers gave way to restrictions and ultimately a ban on lotteries. The mood prevailing in the US during this period was much the same as it is in India today.

Though between 1790 and 1860 twenty- four of the 33 states on America used lotteries to finance civic improvements such as court houses, hospitals, orphanages, libraries and even jails, by 1878 the pendulum had swung the other way. All states, except Louisiana, had prohibited lottery either by statue or through the constitution.

In the meanwhile, in Lower Canada (now Quebec), a law was enacted to formally ban all types of gaming. These laws in Canada and America did not yield the desired purpose of eliminating gambling. The laws failed due to "a taste that existed in every class".

Are we in India destined to repeat this experience?

In 1890 and 1895 the Congress banned all lottery materials from mail and from interstate commerce. In 1905, the US Supreme Court effectively ended the one remaining Louisiana Lottery and all other gambling in the US. It reaffirmed the states' use of police powers to curb gambling. For the next 60 years lotteries remained prohibited by constitutional provisions in most states.

Modern Lotteries - Around the World

USA and Canada

In 1912 race tracks were the only legal betting place in Canada.
In 1917 the first lottery of the 20th century was started in Australia as the 'Queensland State Lottery'.
In 1930 Irish Sweepstakes was launched with great success in the American and Canadian markets.

The US got its first legalised lottery of the century only in 1964, when Hampshire created its state lottery. It was called 'Sweepstakes' and tied to horse races so as not to run foul the 70- year-old federal anti-lottery statues. Within three years, in 1967, New York followed suit and attempted thE second state lottery.

Canada did not want to fall behind its neighbour and in 1969 amended its criminal court to legalise gambling, gave authority to provinces to operate lottery schemes and casinos, and to license charitable or religious organisations to carry out specified lottery schemes. The state Manitoba and Quebec issued the first modern Canadian lotteries in 1970.

In the same year, New Jersey in US started a state lottery and a year later implemented the world's first on-line automated wagering system. By 1971, nation- wide lottery sales in the US had surpassed the $100 million mark. The world saw its first secure instant ticket. This was developed by Scientific Games, a private US company.

After 1973, there was no looking back in the U.S. State after state introduced lotteries and competition amongst them lead to rapid technological improvements. And today, players have a choice of various on- line games that process and record play in seconds. These are instant tickets games that allow players to determine whether or not they are winner, instantly.

On-line games let players pick from a range of numbers and for multiple drawings, according to the game's format. One play usually costs a dollar. Tickets for on-line games are printed by on-line terminals that are connected to a central computer system, which also validates tickets as 'winner' or 'non- winner'. Winning numbers for on-line games are chosen in televised drawings and are recorded in the central computer system.

Instant ticket products were introduced in the last 20 years, introducing a whole new dimension of gaming options. These tickets allow player to scratch a protective coating from a ticket, match the symbols according to the game rules printed on the tickets, and instantly determine if they had won. Instant ticket comes in a variety of themes, prizes, colours, shapes and prices.

As the industry has continued to grow, multi-jurisdisional alliances have been formed to offer players larger prizes and even larger jackpots.

By 1999, thirty-seven states of the district of Columbia were operating a lottery in the US while in Canada lotteries in all provinces and territories. Various Canadian provinces consolidated their lottery operation to better obtain economies of scale, offer higher prizes and be as competitive as possible.

1974 saw the provinces of Manitoba, Saskatchewan, Alberta, British Columbia and the Yukon from the western Canada Lottery Corporation. And by 1976, the Interprovincial Lottery Corporation was created through an act of the Ontario Legislature, and shortly thereafter it was federally incorporated with the western provinces. In 1978 Quebec also joined the Corporation. 1979 was a watershed year of the Canadian lotteries with the Atlantic provinces joining the Interprovincial Lottery Corporation, thus creating a true nationwide lottery in Canada.

The US and Canadian lotteries fund a variety of initiatives including education, transportation, prison construction, economic development, environment and natural resource programs, and senior citizen centers. This list is by no means exhaustive and money always finds use.

In the Rest of the World

America has the biggest lotteries and highest the highest prizes. In 1999, Maria Grasso of Boston won a lumpsum prize of US $104 million (Indian rupees 470 crore) in the big game, the largest prize ever won by a single individual. The rest of the world was not oblivious to what was happening in the US.

More than 100 countries now have lotteries and many have operated for centuries. Some countries like Mexico, France and Japan have national lotteries. The international association of state lotteries lists 63 member nation--- won on every continent except Antarctica.

The US and US companies do retain a lead and will continue to do so in the foreseeable future. Private companies participate by supplying tickets, technology and in many cases turnkey operation. Companies such as Scientific Game, Pollard Banknote, GTech Corporation, Noram Gaming & Entertainment, International Lottery, Totalizator System and many others also supply know-how to other parts of the world.

However, other countries are also waking up to the potential of 'lottery' exports and Sweden is fast gaining a reputation for selling new lottery games, products and technology. One of the Swedish companies EssNet is currently the second largest on-line lottery supplier in the world, with an 11 percent share of the market that includes contracts with lotteries in Europe, South America and Australia.

Other Swedish companies have become leaders in supplying lottery products such as paper for instant and on-line tickets. But it is in new game development that the constant demand for products has forced operators and suppliers into a symbiotic relationship in order to survive and prosper. The guiding principle has been quality. Indeed, in 1985, lottery operator Tipstjanst awarded its first on-line system contract to the Unites States based GTech instead of the local (Swiss) supplier Esselte, when the latter could not develop its system on schedule.

"The competitive situation strengthens the companies," said Meg Tiveus, director of Svenska Spel, the national organisation created when existing state owned operators Penninglotteriet and Tipstjanst were merged in 1997. "On the international level, you don't know whether it will be possible in the future to keep national monopoly, because of the internet and its ability to cross borders. We have to be more competitive, we have to be innovative".

Five participating Scandinavian countries introduced the first multinational lottery, Viking Lotto, in 1992. Since then it has spread substantially and became a popular leisure activity--- providing crucial funding to government and public causes. The now internationally famous and immensely successful UK National lottery was launched in 1994. This is perhaps the best example of what has become one of the world's best lotto-type games. In Europe today almost every country from relatively well-off France and Ireland to the not-so-well-off Portugal and Lithuania have lotteries.

Asian countries are also not far behind. Malaysia, Sri Lanka, Israel, Japan, South Korea and Thailand all have lotteries.

In Latin America, Argentina, Brazil, Chile, Columbia and Costa Rica have followed the examples of US and Canada, and have lotteries of their own. Mexico, part of North American Free Trade Association (NAFTA) has a 227-year-old lottery.

India - Why Legalisation Makes Sense

What are the lessons for India? It is obvious that India must go the way of the world. For Indians to be integrated with the rest of the globe, we must also offer choices to our consumers. How much sense does it make if people all over the world can buy lotteries, except Indians in India. What about gambling on the internet? Anyone with an access to an international credit card or foreign exchange can take part in lotteries and other gambling activities on the net. It is as easy as switching on a light.

Let us recognise the reality and get rid of meaningless restrictions that apply in an extremely discriminatory manner. The rich have access to an international market for fulfilling their desires whether on the net or whole travelling abroad; the rest are circumscribed not by their abilities to afford to bet, but by our refusal to let the consumers have a choice.

Free Choice

Liberty presuppose that each one of us is free to exercise our will in a manner we deem fit. If we are harming no one, other than perhaps ourselves, our right must not be curbed in anyway. The state, by restrictions or outright prohibitions of activities that are victimless tramples on our rights.

We act. We bear consequences. What can be simple than that? And yet how many times is this simple truth forgotten? The results are ominous in the manner in which they impact on our liberty.

In situations where we exercise control, we must also be responsible for what follows. The moment we accept that we cannot be expected to behave rationally or that we are too weak and therefore must necessarily be restricted from any voluntary activity, we are saying NO to freedom. We are saying--- we cannot expect to buy lotteries responsibly or gamble responsible, therefore take away our right.

If so, why target gambling alone? What about other activities? What if we do not eat or drink or have sex in a responsible manner, as many of don't? Would we support restrictions, control and prohibitions on these activities as well? Surely for the sake of consistency we should.

Eating irresponsibly we lead to our death. How many people have their arteries blocked and suffer heart attacks due to faulty diets. Too much fat inevitably shortens our life span. Besides heart attack, excess dietary fat has been linked to various cancers as well. Too much salt leads to high blood pressure in many of us. This, if not controlled, could well lead to strokes and other disastrous consequences. What should be done? Should we appoint a 'super- health and dietary authority' and give it powers to compulsorily monitor our health and decide what we eat? How much salt, cholesterol, fat, proteins, or vitamins are to be ingested must all be decided for us. Why have someone monitor and control the food we buy. That, after all, is the starting point of all our health problems.

We must, of course, ban whiskey, wine and beer. But why stop at this? Why not then sugared water---Coke and Pepsi. And fresh lime if it has added sugar. Sugar does lead to obesity and diabetes---well, at least, in some.

And most dangerous of all is sex. What with AIDS being described as the biggest killer of modern times, surely we must have an authority regularly monitoring who we sleep with and testing our blood to prevent all sexually transmitted diseases including AIDS.

We already have the 'Prevention of Food Adulteration Act', which is regularly used by authorities to send inspectors to harass restaurants and other food outlets. Drinking is frowned upon and various laws restricting the sale and serving of liquor apply---enforced by corrupt minions of state. The police regularly use the anti-prostitution laws to extract their 'dues' to allow voluntary sex. In all cases the public good is as far removed from the minds of these law enforcers as was that of the Jews from Hitler's. Officialdom couldn’t careless as long as it gets its 'share' from the public.

Voltaire said "I don't approve of what you say, but I shall defend till death your right to say it."

This is what freedom is all about.

Many times people of goodwill will differ. They will, however, recognise others' right to an opinion. We have different opinions on gambling---some may love it, some may hate it while most of us will probably be indifferent towards it.

Irrespective, the principal involved is not gambling per se; it is whether as free nation of a free people we should have the right to make our choices. The answer must be in the affirmative. The right to make choices must be granted the same sanctity as the right of free speech.

It is clearly why one must be pro free choice even if there are adverse consequences for some or many people. Many of us might not buy this reasoning. Some, especially politicians and bureaucrats, will think it is their divine duty to protect people, especially the poor, from their own follies. Lotteries take advantage of our destitute and are a tax---a very regressive one at that. Hence, gambling must be strictly restricted if not altogether banned. How far is this true? There are no studies in India, however a study in the US does expose some of these myths.

The Washington Post in September 1997 commissioned a poll by Martinez Marketing of St. Louis to find out the facts about who plays the lottery. The study concluded that the middle income Americans were most likely group to play the lottery. Two out of three Americans with household incomes between $25,000 to $45,000 a year play the lottery at least once a year. One out of four plays monthly. Americans earning $45,000 to $65,000 play even more often, with three of four playing occasionally while one third wager at least once a month.

One the other hand, the wealthiest and the poorest Americans were least likely to take a chance on the lottery. Half of those earning less than $25,000 a year said they never played the lottery, and about half of those earning more than $65,000 a year said they also never play.

In answer to those who believe that lottery is a tax, I'd like to quote Clotfelter and Cook. "Lottery agencies are not tax collectors in any normal sense but rather are state enterprises producing and selling a product to the public.... Viewed as a state enterprise striving to make money, state lotteries appear remarkably successful. Product innovations and aggressive promotions have generated extraordinary growth, and their legal monopoly positions has made possible a high rate of profit on sales." (*Selling Hope* by Charles T. Clotfelter and Philip J. Cook, 1991, A National Bureau of Economic Research Book, p. 219)

People are forced to pay taxes; no one is forced to play the lottery. You can go to jail or lose your home for not paying taxes. You won't go to jail for not playing lottery games. You just won't have a chance to win cash and other prizes!

It has also been said that lottery is an implicit tax because it has relatively higher administrative costs and is a less efficient way of raising money for, say, education than taxes, but its revenues go for education just as other tax money does. Playing the lottery depletes the player's discretionary income from availability for other purchases, but so do going to the movies, ballgames, or other forms of entertainment.

The subject of freedom is much too often focused on extreme cases. What about those who cannot handle their freedom? What about those who will gamble themselves away to ruin, and in the rarest of rare cases be driven to suicide? Surely these people deserve whatever protection we can give them?

Study after study has found that for a vast majority of those who choose to gamble, it remains a harmless form of entertainment. There are, of course, pathological or compulsive gamblers who will ruin themselves. How many are there? No one knows for certain. Various methods for measuring the prevalence of gambling problems have been tried, each with its advocates and detractors.

A 1998 report from the Harvard Medical School attempted to synthesise all studies done on problem gambling in the United States and Canada. The best estimate was that 1.6 percent of the adults in both the countries had experiences pathological gambling at some point in their life, while 1.1 percent had experienced it in the past 12 months. They further estimated that an additional 3.85 percent of adults had experienced mild to moderate problems with gambling at some point in their lives but had not progressed to the pathological level.

More recently, the National Opinion Research Centre of the University of Chicago completed the first-ever national (US) survey on problem gambling. Conducted for the National Gambling Impact Study Commission, this survey used a different measurement tool from the Harvard Medical School Synthesis. It found that 0.9 percent of US adults have met the criteria for pathological gambling at some time in their life, while 0.6 met the criteria in the past year. The survey also found that an additional 1.2 percent of adults had experienced moderate problems with gambling that did not reach pathological levels at some time in their life; of these, 0.4 percent experienced these problems in the past year.

Even granting that some people may be driven to the extreme step of taking their life (though there is no study to support this), one must recognise that, firstly, this must necessarily be a tiny percentage of the approximately one percent of gamblers who can be termed as problem ones. A tiny percentage of a tiny percentage is tinier still. Secondly, unfortunate as the loss of a human life may be, it is not reason enough for a ban or restriction.

The value placed on human life is jot absolute. If the only raison d'etre for people was saving their lives---no matter what, they would not step out of their homes. Travelling in a bus, car, train or aeroplane---- all entail risks that are higher that staying at home.

We do know that people die every day in road accidents and periodically in train and air accidents. Even staying at home is not risk free. What then, should we ban or restrict?

How about the really dangerous sports: skydiving, hand-gliding, rock climbing and horse riding? Did Christopher Reeves (Superman) not become paralysed falling off a horse? What about the biggest gamble of all: getting married. How many fail and how many lead to dowry deaths?

Human beings will take risks, even at the risk of death. It must be left to people, and people alone, as to what level of risks they Re comfortable with. Some may decide not to fly, and it is their right to make such a decision. However, it is not their right to decide for you and me whether we should fly or not. That decision must be ours. The same logic applies to gambling. If you do not want to gamble, by all means refrain from doing so. At the same time, respect my right to take chances with my money or my life. I must be allowed to gamble if I want to.

It may be impossible to know whether gambling activities on an average result in killing more people or saving more people. Gambling does employ millions of people worldwide. What happens when a lottery is outlawed in a state like Delhi? What about all the lottery vendors? What if some of them are driven to suicide by the lack of a job? Isn't that a likely result if their livelihood is suddenly snatched away from them? What about all the people who are presently unemployed but would be employed if lotteries were freely available everywhere. Would we not save the lives of some of our unemployed youth? Logic tells us that we probably would.

Lessons from A Canadian Study
In February 2000, Jenson J. Azmier, Director of Gambling Studies, released a report titled "Canadian Gambling Behaviour and Attitudes".

Since in India no such studies have been made, let us examine the main points brought forth by this study. One may keep in mind that most Canadian gamble. Over 70 percent have participated in some form of gambling in the last year and nearly half have bought lottery tickets. About one-quarter are regular gamblers playing their favourite game at least once a week. Eight out of 10 Canadians who gamble do so for thrill of winning.

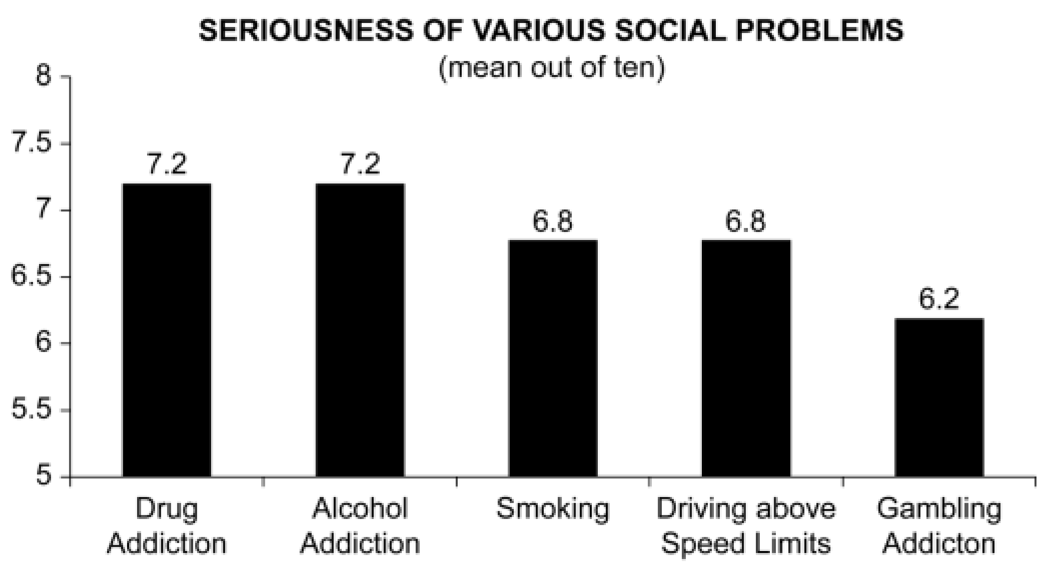
Canadians place a value on the right to gamble. Although not everyone chooses to participate in gambling, preserving the opportunity to gamble was important to respondents to indicate whether they agreed or disagreed with the statement. Western Canadians had the strongest view that they have the right to participate in gambling. In Prairies, 40 percent strongly agreed and in the British Columbia, 39 percent strongly agreed. In Quebec, 20 percent strongly disagreed and amongst Atlantic respondents, 25 percent strongly disagreed.

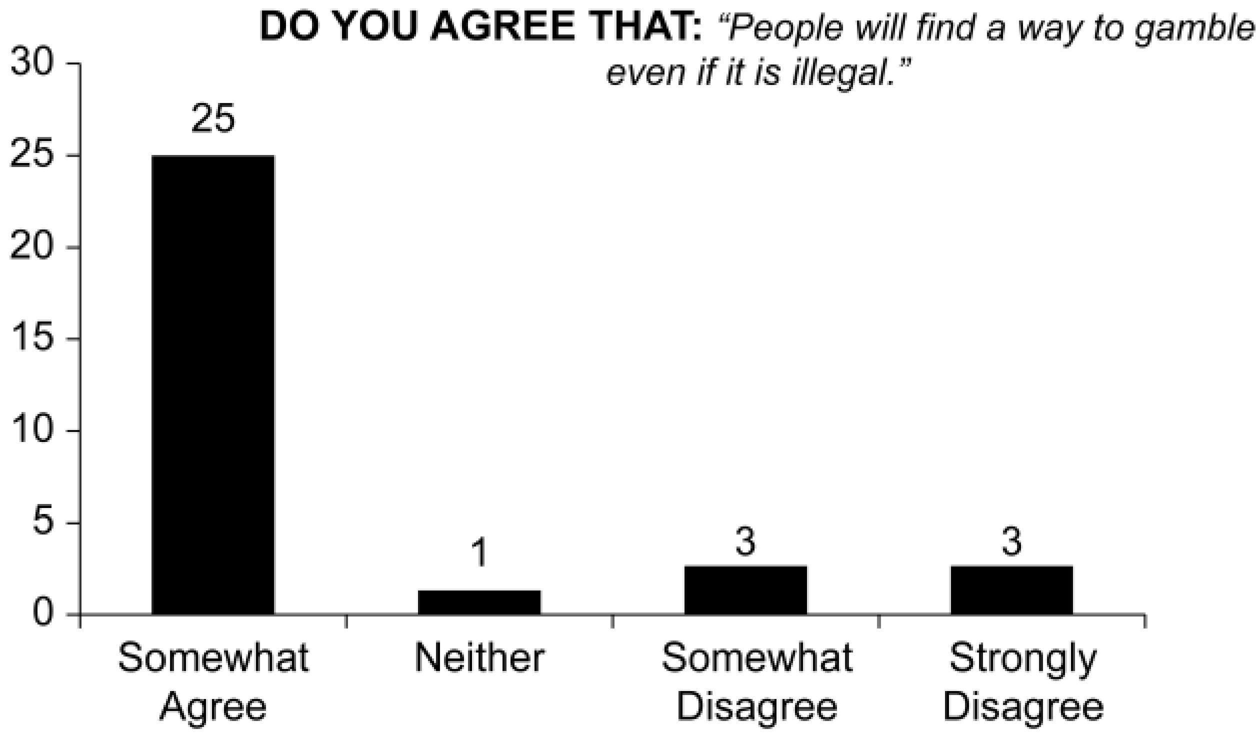
Responses vary with age. Younger respondents expressed a stronger interest in preserving their rights. Those aged 18-34 are more likely to agree (71 percent) that the right to gamble is more important that its consequences that those above 55 years (56 percent).

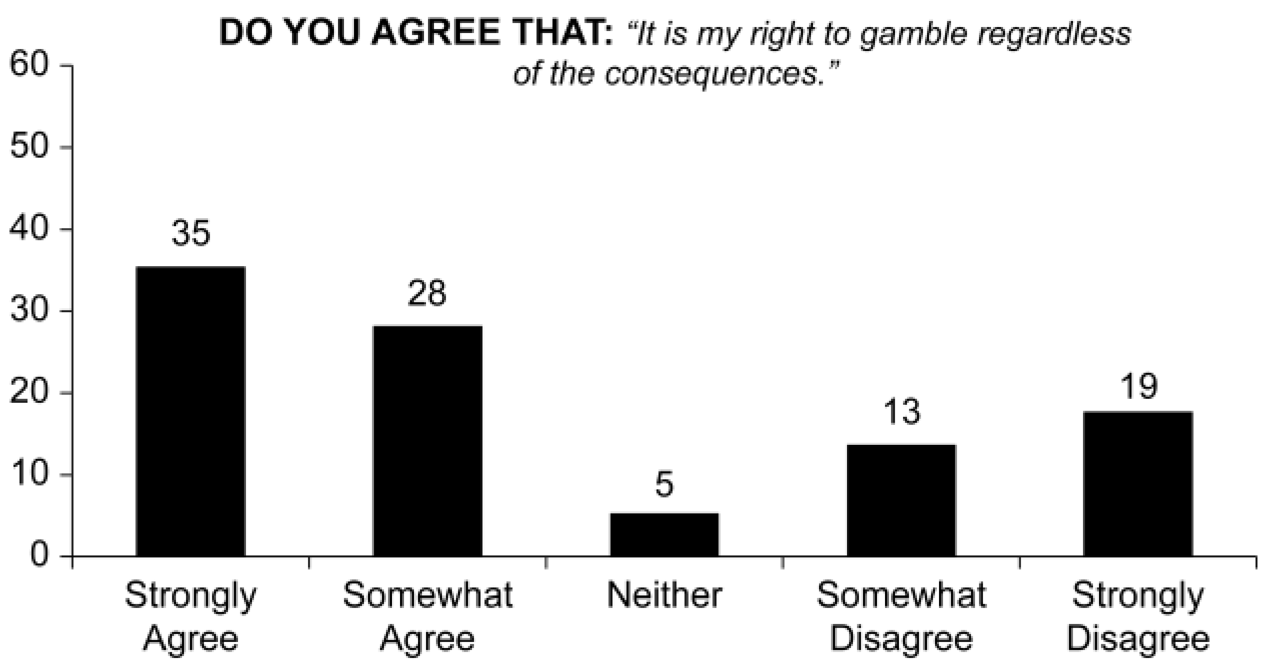
Canadians also quite rightly perceive that it is not possible to stop gambling and that to make it illegal will only drive it underground. The report says that Canadians are willing to concede that gambling is an acceptable part of community standards. However, this should not be interpreted as embracing the good and bad elements associated with gambling. On the contrary, gambling's acceptability appears rooted in the perception that gambling is an inevitable part of culture.

What is the social impact of gambling? Canadians do not consider gambling as serious a social problem as some others. Using a 10-point scale, respondents were asked to rate the seriousness of drug addiction, alcohol addiction, gambling addiction, smoking, and driving above speed limit. At 6.2 out of 10, gambling addiction scored lowest. If we assume a midpoint of 5.0, a score of 6.2 indicates that respondents viewed gambling as a moderately serious problem.

This data may be interpreted in a number of ways. Although gambling is rated below smoking and driving too fast, both these are activities that lead to a high number of deaths every year. Although gambling- related deaths are just as tragic, they occur less frequently.







The Canadian survey asked respondents if, to their knowledge, they had personally been impacted by gambling, positively or negatively. This was to measure the strength of the impact of gambling.

This measure is considered to be a true indicator of the harm of gambling as it asked respondents to consider only their personal experiences with gambling, not their impressions or perceptions of harm. Overall, 90 percent Canadians indicated that gambling has had no personal impact upon them. Of those who had been affected, seven percent had been harmed by gambling while four percent indicated a personal benefit.

Not surprisingly, knowing a problem gambler increases the likelihood of respondents reporting a negative personal impact. Of those who indicated knowing a problem gambler, 12 percent indicated that gambling has a negative personal effect. Perhaps more interesting is the data that 85 percent of those who knew a problem gambler indicated that gambling had had no impact on them. (Three percent even indicated that gambling had had a *positive* impact.) This data suggests that respondents who know problem gamblers are either not particularly close to the problem gambler, or do not feel that the problem gambler's activity creates personal harm.

The paucity of respondents indicating any personal impact from gambling warrants additional comment. Inferring from the data that 90 percent of respondents felt no impact from gambling, it appears that the benefits and costs associated with gambling may be less than estimated by both gambling's opponents and proponents. However, it must be restated that respondents may not be *aware* that they are harmed by the negative aspects of gambling. This caveat cannot equally apply to the benefits of gambling. Personal benefits from gambling are more measurable (e.g., employment, winnings, entertainment value) and as a result are more often known. While a gambler might try to hide the losses or problems, the benefits of gambling are increasingly documented and publicly acknowledged by charities, governments and the gambling industry.

What can we in India make out from all this? One thing is apparent---the Canadian people feel gambling is inevitable. And if the relatively corruption- free Canadian police cannot stop gambling, what chance does our *desi* police have? That question does not need an answer.

We will not stop gambling; no matter what laws we pass. We will, however, certainly take away the activity from the hands of our relatively law abiding businessmen and give yet another lucrative source of income to the Mafia. Controlling gambling will make the underground financially and politically stronger. This increasing clout can then be used for many other really nefarious activities be it supporting terrorism, kidnapping or murder.

In India as in USA, Canada, UK and other parts of the world, gambling has rapidly become an acceptable and regular part of the society. USA and other countries have lottery numbers drawn live on television. In India, one of the most popular shows on TV has been ‘Kaun Banega Crorepati?’ (Who Will be a Multi-Millionaire?). If this show did not constitute gambling, then what does? The show itself bordered on the banal. The only reason for the runaway popularity was the excitement the viewers felt over the element of gambling as the prize money kept doubling with every successful answer.

Odds on horse races appear in our newspapers. Whether letting on them is illegal or not, newspapers carry odds on cricket matches and election results. Our newspapers also carry advertisements for gambling on ships or in Nepal’s casinos.

As abroad, in India too, gambling, whether one likes it or not, had joined walking, boating, rafting, exercising, going to the gym, reading, travelling, watching movies, concerts, plays, sports and driving, as a recreational activity. But most of these activities involve risk. Driving safely requires a helmet or a seatbelt. Rafting safely requires life jackets. Reading requires good lighting.

For most people gambling is fun and entertaining. For a a vast majority gambling is not a problem and will never be a problem. They will never lose enough for it to even marginally affect their behaviour. Many people in India, for example, will play cards and gamble only during Diwali days and never at any other time of the year. Most people can and do control their activities or are moderate in their behavior. For their sake, if nothing else, gambling must be made legal.

To act on the basis of protecting minuscule minority of people from extreme behaviour is to ignore the rights of a vast majority. Do we even know anyone who has never gambled or taken an interest in gambling in his life?

The effect of banning an activity that is so wildly popular is to make us all criminals. For if, at some point of our lives, we have broken a law, then we have acted criminally. If laws are such that normal and otherwise law- abiding citizens break them as they go about their lives, respect is lost for all our laws, even good laws. People do not then equate laws with justice. Everybody, or at least most of us, can discern what is right or wrong and if the perception is that laws are neither just nor right then it is certainly not conducive to the spread of the ‘rule of law’. The law becomes an object of derision and ridicule, which is surely not what was envisaged by those who made the laws.

Use Persuasion to Stop People from Compulsive Gambling

It is not our contention that gambling be carried to levels where it becomes problematic or pathological in nature. However, since a small fraction of people will always become pathological gamblers, establishing de-gambling centres may prove useful. In every state of the US there is telephonic access to such centres 24 hours, 7 days a week where one may speak in confidence regarding a gambling problem. There are also meetings of 'Gamblers Anonymous' that operate as a fellowship in which people share their experiences, support and hope in order to stop problem gambling and build their lives.

All this requires to be done in India too. But, first, we have to decriminalize ordinary and common activities like lotteries and bring them out in open. Only then would we be able to help those who need it most. After all, no one will risk a jail sentence by admitting to a gambling problem if it is illegal. Keeping gambling illegal is akin to pushing our problems under the carpet.

Conclusion

What Should be Done and Why Should it be Done Now?

The need of the hour is to legalise all forms of gambling including lotteries. The benefits flowing from a complete de- criminalization and privatization of gambling would be immense.

Consumers would gain immensely from free and private lotteries, casinos and other forms of gambling.

There is nothing like comp0etition to protect the consumer and get him a good deal.

What is wrong right now? Everything.

No private company can flourish in the atmosphere that presently prevails. As government policy flip- flops between liberalisation, restrictions, and ban---it plays havoc with planning and innovation. Businesses do not thrive on uncertainty. Neither does legitimate investment flow to areas that are regulated or strangulated.

One immediate benefit of competition would be for lotteries to considerably boost their paybacks to the customer. Government lotteries typically return 50 percent of what they collect from ticket sales as prizes to customers. This is a rip-off ad the practice thrives only because of lack of competition. Competition would immediately bump this percentage to perhaps over 90. In casinos worldwide where element of competition is far greater, the house take is generally between one percent to 10 percent of each bet depending on the game. In Las Vegas for example, the house may have an advantage of 1.25 to1.35 percent on Baccarat, two to five percent on Blackjack, 5.4 percent on Roulette and between one percent to eight percent on slot machines. There is no reason to believe that private lottery percentages would be any different.

One of the problems associated with our state run lotteries is that people lose too much too quickly. This has more to do with the way government monopolises the business than with any inherent flaw in the lottery system. We don’t need more restrictions or bans to obviate tis problem. This is solvable only by a complete lifting of all restrictions.

The problem of high charges and lack of service is not unique to lotteries. It persists in any business that is run as a monopoly by the government. In India, until recently long-distance telephony was the exclusive preserve of the government. In the USA, private telephone companies compete with each other. Is it any wonder then that an India-USA call costs several times more than an USA- India call despite salaries in India being a fraction of the US salaries?

India is now in the process of introducing private competition in long distance telephony. The same must be done with lotteries and gambling.

Legalisation would lead to opening up of the huge Indian market for our entrepreneurs.

Our people would have the opportunity to develop their expertise and become lottery operators, casino operators, and suppliers of lottery, casino and other gambling related equipment. There would also be immense opportunities in the fiels of on-line technologies and Internet gambling.

For the consumer to get the best deal and to get it now there is no option but to throw open every business opportunity, including lotteries and gambling, to national and international competition. We will then find Indian companies competing alongside foreign firms much like they are doing in TV and telephones. Whereas foreign companies would have an edge in technology and capital, Indian companies can and will compensate by their greater knowledge of the consumer and culture. In any event, the fittest, as measures by their ability to serve the customer, will survive. And that's the way it should be.

We erred earlier. If at the time of independence we had followed a capitalist system instead of a socialist one the story would have been different today. It might have been an Indian company straddling the globe and providing the world with its daily, hour to hour news like CNN. It might have been an Indian company providing a worldwide telephone infrastructure like AT&T or a world-class cell phone like Nokia. Instead of Enron coming here, it might have been an Indian company providing power to the world.

Let us therefore not continue to deprive our entrepreneurs of the opportunities afforded by our vast market. Let us legalise gambling and let us do it now.

Indian consumers will enjoy freedom to use their money at home as they can when they travel abroad.

It is about time Indians do not have to behave and show how entertainment-starved they are they travel abroad. Whatever experiences we cannot enjoy at home, we make a beeline for as soon as the restrictions are removed on landing outside our borders.

In Las Vegas and other places in USA, Macau, several parts of Austrailia, UK and in our neighbouring Nepal and Sri Lanka, it is not unusual to see Indian tourists rushing from the airport to casinos. Likewise, at Dubai airport and in other parts of the world Indians race to buy foreign lotteries. When is this craze going to stop?

Why can't we have people from the rest of the world coming to India, for among other things, gambling and buying lotteries?

Indians were and probably still are the prime shoppers in Singapore, Dubai, Hong Kong and other places. Why? Because nothing was available at home. It was not unusual to see Indians returning home laden with cosmetics, all kinds of electronics, clothes and perfumes. At one time even TVs and VCRs were brought in. The situation is no longer as dismal. With liberalisation Indians can find, at least to some extent, what they want in their own country. It is time to end restrictions on gambling and lotteries as well. Ban on imports served no purpose and neither does prohibition of popular activities like gambling.

Legalisation would take away a big source of revenue from the hands of the Mafia.

Gambling is now controlled by criminal gangs. The Mumbai Mafia runs 'matka' which is akin to a lottery. The principle of drawing numbers is the same. The police are not immune to the charm of gambling and have been known to play 'matka'. Lagalise and privatise lotteries, and 'matka' dies---and so does a principal sourse of economic clout for the gangsters.

Legalise betting on cricket matches and the bets will be taken by private, legitimate businesses as is the case in the UK and USA. Have we heard of 'Ladbrokes' (owned by the Hilton Corporation) in London fixing matches? No, they have too much to lose by way of reputation. Besides, they have legal ways of earning and why would they take a chance and jeopardize their operation by indulging in illegalities? Why don't we, similarly, legitimise betting on sports? And watch how over a period of time, legitimate companies take over from the Mafia. We will then also see the end of match-fixing.

Why now?

Because technology renders bans on gambling futile.

Internet has come and is here to stay. No country can control it, not even the mighty USA.

The inherently open architecture of the internet makes it all but impossible for governments to control internet now. It will be that much more difficult to control it later when people find even more innovative ways to circumvent barriers.

What then?

Our laws can only determine whether gambling and lottery Internet sites are legal in India. Our laws will not determine whether people gamble. The only wise action, therefore, is to recognize reality, quit creating bottlenecks for our people, legitimise, and fully privatise gambling, including lotteries, in India.

This legitimization will add another dimension to India’s freedom, a freedom that every Indian can be justly proud of and revel in.

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Unexplored Gaming Opportunities in India:
Status and Opportunities

Atam Uppal

Introduction

It was recently reported that China attacked a record $52.7 billion in foreign direct investment (FDI) in 2002. The inflow of new capital has fuelled strong growth, helping China's economic growth reach eight percent last year. A United Nations report has indicated that China will become the top resident of foreign direct investment (FDI), overtaking the US. Despite, India's advantage in many areas including better legal framework and judiciary, use of English as a common business language, low wages, etc., India attracts a small fraction of world investment dollars. In this paper, my intention is to focus on potential opportunities whereby India could attract billions of dollars worth of new investment, which would give a significant boost to India's tourism infrastructure.

The casino industry is an integral part of leisure tourism and is a source of recreation for more people than Hollywood movies, professional sports and live theaters combined in the USA. A single casino project in India could attract hundreds of millions of dollars in new investment, create thousands of new jobs and pay significant new taxes for the cash starved state government. In this article the term 'gambling' and 'gaming' are used interchangeably. It should also be noted that gambling is a whole industry with many sub-components. The gambling universe includes casinos, lotteries, horse racing, bingo, keno, Internet based gambling, sports-betting, book-making, two-up, matka and hundreds of localised activities where "something of value is wagered on a chance event".

India has perhaps the oldest written records regarding gambling, its recreational value, and its problems. India also recognized that a gaming regulator was required to ensure integrity of gaming some 300 years before Christ. At present, several forms of gambling activities are freely available in India, some legally and many more illegally -- but both are widely available. India also has a large network of underground and illegal gaming that is flourishing throughout the country with abandon.

On one front, the government of India has demonstrated its resolve to tackle tough issues in privatisation and liberalisation. Yet, when comes to gambling, a press statement issued on July 5, 2002, forbids foreigners and NRIs from participating in this industry in any capacity. However, this ruling does not forbid gaming or casinos.
In fact, it allows Indians to engage in this business, but NRIs and foreigners are excluded. India is a signatory to WTO agreements and as such, should not create any situation. Unfortunately, such actions by governments in India further validate the fears

of international investors that investing in India is risky and subject to “change in policy every Friday”. Indeed this has put a dampner on our consortium’s plans to invest in India.

India has a significant latent demand for gambling. At present, a number of Indian states legally permit horse racing, bingo, lotteries, and slot machines. A riverboat casino is operating legally in one state. There is very significant illegal gambling activity in numerous forms, including sports-betting, card games with big wagers in government and private clubs, slots, other machines and Internet gaming. According to the May 31 issue of *Intelligent Investors*, “…the total Indian underground gambling market…estimates are perhaps in excess of Rs 20,0000 crore. Every year,”[1] Sports betting is virtually unchecked and Mumbai police estimates that more than Rs 400 crore are wagered on the average one-day (cricket) match. According to estimates by a leading newspaper, the amount can be as high as Rs 1,000 crore for an India-Pakistan match. We’ve even heard numbers like Rs 5,000 crore per Indo-Pak match.”[2] There are large varieties of popular local and regional games of chance. For example, in Mumbai (Bombay) region, *matka* is especially popular. While illegal, even local police officers are known to place bets in *matka*. Other popular numbers games include Tambola or Housey, and bingo. In 2002, several states started online lotteries with great fanfare. People join clubs that appear to offer protection against gambling prosecution. “Unable to withstand the mounting police pressure, the gamblers have now shifted their venues from the private confines to the Gymkhana Club of HUDA and the DCA Club.”[3] These clubs in Haryana “….have become favorite jaunts of gamblers.”[4] Near Pune, slots operations are open in Lonawla and Khandala.

Due to the absence of legal casinos in India (except in Goa), large number of Indians go to casinos in Nepal. In fact, Nepalese casino except either the India Rupee or the US dollar for wagering.
It has been stated that Indians account for about 60 percent of the clientele but almost 95% of the wager. Indians also travel in large number of casinos in the UK, France, Malaysia, Macao and other destinations. One prestigious casino group in London informed the author that the Indians account for a significant share of their gaming win, and that the same may apply to other London casino clubs.

India is the largest democracy in the world with a population exceeding one billion, yet Indians with means to not have the freedom to go to a legal casino within their own country. About 250 million Indians are considered to be “well off”. High fertility rates and economic growth ensures that India is becoming more important as a nation, the majority in Hindu. Eleven percent of the population follows Islam that forbids gambling. Yet several predominantly Islamic nations allow legal casinos including Egypt, Palestine and Jordan.

In the 1980's, India was described as a sleeping giant. India's on-and-off economic liberation programmes have improved income and economic growth rates. Now, the World Bank ranks India in the world's fourth largest economy in terms of purchasing power partly. Economic growth is usually accompanied by greater demand for leisure and recreational activities,and demand grossly exceeds supply.

Reality and Pressure for Legal Casinos

A while back, Satish C. Chhatwal, finance director of the ITDC predicted that casinos, discos and aggressive marketing could increase tourism, which is "India's single largest source of foreign exchange" ($3.1 billion, April 1996-March 1997), but amounts to approximately 0.4 percent of world tourism.[5] Given the rich culture and history of India, vast bio diversity and great shopping, tourism in India could be increased manifold. Foreign tourists lament that Indian tourism is limited to historic monuments and cultural centres but there is no nightlife in the otherwise vibrant urban cities. The government of India has undertaken to further improve international tourism by improving the infrastructure, but they should consider expanding the definition of infrastructure.

Casinos are a vital part of tourism infrastructure in many places including Las Vegas, Atlantic City, Monaco, Bahamas, Macao, Malaysia, South Africa, Italy and Nepal, and have contributed to their tourism development. In Canada, Casino Niagara and Casino Windsor are the two largest tourist attractions accounting for millions of visits by foreigners and locals.

Goa approved slot machines in their five- star hotels and a full fledged casino on a river boat to keep tourists longer. In Madhya Pradesh (MP), the government, with the concurrence of the hotel and tourism industry, was planning to develop casinos in the cities of Khajuraho, Gwalior and Indore. However, in February of 1997, it backed down when confronted with political and social opposition, and the following typical arguments:

"We will not allow gambling to take place openly in the town. We will not allow our wives and daughters to serve liquor in casinos just for the sake of money" (A local shopkeeper)
"A casino in our town will corrupt our society. We don't want our culturemto be polluted in any manner." (A local resident)

"The very concept of Khajuraho will be lost with the opening up of a gambling culture. After casinos, only prostitution will be left (to belegalized)."[6]

It would appear that emotions won over rational debate. MP and India lost an opportunity to expand its tourism base. A large, world scale casino complex in India will likely attract tourists from regional Islamic countries. It will surely extend the stay and spending of existing tourists to the area. It will also encourage import substitution by allowing Indians to gamble in India rather than going to other gaming destinations.

Some Examples of Casinos & Economic Development

A large number of jurisdictions have used casinos to promote tourism, diversify their economies, create jobs and generate new tax revenues. Nepal, an emerging country with a high dependence on tourism allows casinos to attract tourists and extend the stay of tourists by providing alternate entertainment facilities. Nepal's first casino opened at Soaltee Crowne Plaza some 35 years ago. Now Nepal has four casinos. It is estimated that casino clients use at least 15 percent of hotel room inventory in Kathmandu. It should be noted that Nepal is a Hindu country, and has many sacred Hindu sites that attract Indians to Nepal.

Ashis Nandy, a sociologist with the Center for Study of Developing societies in New Delhi, notes that "as much as 40 percent of the Indian economy is underground, meaning that many not so poor Indians have millions of untaxed black market rupees to wager. They can't put in the bank or spend it in India because the income tax guys will grab it, so it becomes devalued and they burn it up by gambling."[7]

In the United States, many Native American tribes use casino incomes to alleviate poverty, and give an economic anchor to their communities. A small tribe, the Mashantucket Pequot in Connecticut owns and operates the largest casino in the world. The casino, the Foxwood, has 360 gaming tables, around 5,6000 slots, and a huge bingo hall with approximately $3 million in daily gaming revenues. It should be noted that the casino plays "a guaranteed maximum of $100 million "to the state of Connecticut annually. In actuality, the payment to the state is much larger, yet it only a very small portion of their profits. The property includes a large full service hotel and all modern amenities that have created more than10,000 jobs in the area and measured the income base traditionally.

The Mohegans, another Native American tribe, also owns a large casino, the Mohegan Sun, with more than 3,000 slot machines and 192 gaming tables. Both casinos attract an average of over 50,000 daily visitors and have stimulated tourism in the state tremendously. The Pequots and Mohegans, along with six other native Americans tribes, dominate 40 percent of the native American gaming market. Many of the approximately 180 of over 500 federally recognized tribes have successfully utilized gambling and have prospered as a result of casinos, yet many others have just made marginal gains.[8] In Ontario, Casino Rama is built on the lands of the Rama First nation (Indian tribe), and the profits from the casino are shared among some 140 Indian tribes in Ontario. It has improved the economic status of about 4,000 people who work at the casino; more importantly, the economy of Orillia benefits tremendously from this new income and purchasing power of local communities.

The economy of the principality of Monaco was primarily built on casino based tourism, and it still is. Macao in China is the major casino destination in East Asia with about one dozen large casino hotels. Three more are under development with foreign investment. Practically every country in Europe has casinos. England has about 120 small casinos and has recently liberalized its rule to allow large casino/hotel complexes. USA is well known glamorous, multi-billion dollar casinos-particularly in Las Vegas, Atlantic City, Reno and at Lake Tahoe. The city of Las Vegas with more than 120,000 hotel rooms has more hotel rooms than all of India. In fact the room occupancy rates in Las Vegas are in the vicinity of 95 percent year around – not bad for a location in desert. Las Vegas has been the fastest growing city in the United States.

Many islands In the Caribbean have casinos as recreation options for tourists. In the Bahamas, a themed casino ‘Atlantis’ with nearly 1200 luxury hotel rooms has done wonders for area tourism. The United States Virgin Islands has one operating casino and two awaiting proposals are under construction where we have just finished a study for the government. Curacao has about 20 casinos at its resorts. Barbados is reviewing whether casinos should be legalised.

Egypt has over two dozen casinos in 5-star hotels. In the Palestine, a successful casino in Jericho was a major tourist draw and a source of much needed jobs and income for the locals. The casino is now closed due to terrorist activities and counterattacks from Israel. This casino is in the midst of Hammas, a fundamentalist sect o Islam.

Casinos straddle all boundaries- they can be found in communist, socialist and capitalist countries. They are in Christian, Hindu, Islamic and atheist countries. Many more countries are in advanced stages of starting casinos including Mexico in the Americans, and the Hashemite Kingdom of Jordan in the Middle East. In Europe, San Marino is planning its first casino. In Italy, they are trying to move the casino model forward where ate present all four casinos are municipally controlled. Several central, South American and Caribbean island states are also trying to develop casinos in an orderly manner. Several states in India have shown interest and a few are discussing casino developments.

Indian Gaming Legislation

Operating a gambling house in India is illegal except with state enabled legislation. Every state and union territory has some form of legalized gambling but it is not consistent across the board.

Gambling is considered a public nuisance under India law and is dealt with under Section 268 of the Indian Penal Code, 1860. “A common nuisance is not excused on the ground that it cause some convenience and/or advantage such as jobs to many,” The Public Gambling Act, 1867(Section 3) deals with penalty for owning and keeping or having charge of a gaming house; however, the fines are limited to RS.200 (US $5) or imprisonment for any term not exceeding three months. The common gaming house is very broadly defined. The owner, occupier or one having use of any house, along with the parson who in any manner assists in conducting the business, or who advances or furnished money for the purpose of gaming with the persons frequenting such houses, etc. are considered to benefit from gambling and thus can be charged. Most of the gaming related laws are more than a hundred years old and have not kept pace with the industry development elsewhere. These are also rather stringent and not consistent with common laws that India adheres to. For example, the party accused of operating an illegal gaming house and/or profiting from it is required to prove its innocence rather than the prosecutors having to prove the guilt.

While gambling is a state subject, the central government interferes with decision making directly and indirectly. One such major interference was witnessed on July 5, 2002 in the form of a Press Note 5. (Appendix A).

Key Issues for Casino Industry Debate

The key question for India is: “Do we allow any form of gambling or not?” Since many forms of gambling such as lotteries, horse racing, etc. are readily available, that question has been answered. The next logical question is, if gambling is available, why restrict one particular form of gambling? It is somewhat like saying- you can sell all liquors and alcoholic beverages at a liquor store, but you cannot sell whisky. It makes little sense. The debate on gambling has not taken place in a logical manner. In our opinion, the decision to introduce casinos should be made after a thorough and informed debate on the benefits and problems of the industry. The debates should also note and address the fact that illegal casino-type games are available all across India. These operations are run by mob and they do not provide fair odds to their clients; they pay no taxes on their profits. They use these profits to expand into other criminal activities. This phenomenon has been verified with the prohibition in many jurisdictions including the recent one in Haryana. Prohibition in any form is a god sent gift to criminal elements.

Policy objectives for the industry should be made on full understanding of the "promise and limitations" of the industry. The merits should not be overplayed and potential problems must not be underplayed. We have a list of "what casinos can do and what they cannot do". The author will be glad to send a copy to those interested.

Experience from jurisdictions with legal casinos is clear. All of these jurisdictions appear to be satisfied that casinos are serving their needs and realistic policy objectives. Our experience in Windsor, Orillia and Niagara Falls confirms this. Proactively recognising potential problems and designing mitigating measures go a long way in assuring the host community that all issues have been considered. People will recognize that illegal gaming activities are prevalent, and that benefits only the criminal elements.

If a government wishes to venture into commercial casinos, it must select an appropriate model of operation and a suitable regulatory environment, but all operational decisions should be the business decisions of the operator. However, The state may ask the operator to post all rules of games and internal operational standards.

Transparency is an oft-used word in India, but in the case of casinos, it must be applied with diligence. Casinos should be regulated with utmost integrity that goes without saying. In Nevada and Great Britain in the early 1960s, organized crime played a major role in controlling casinos. Today, the regulatory environment in most jurisdictions is very strict and even casino opponents admit that organized crime is not a factor in the casino industry. In fact, the casino industry is often operated by some of the largest and most respected international corporations such Sheraton, Hilton, MGM, etc.

What to Expect from Legalising Casinos?

Casinos with adequate critical mass can be powerful economic engines. In addition, they can be catalysts for boosting tourism, community economic development, and even improving the law and order situation. Casinos create a large number of jobs, purchase goods and services, serve and have a significant impact on the host community.

Thus, the host community is well served by first developing realistic goals. For the state of Nevada, casinos account for about half of their tax revenues. The city of Las Vegas has 120,000 rooms that report almost 95 percent occupancy rates on an annual basis. The city attracts some 35 million tourists to its numerous casinos with state-of-the-art recreational facilities and must- see attractions. Casinos have an ever larger impact on tourism and hotel development. Las Vegas is also known for the development of several mega shows operating at full capacity for years. In fact, Las Vegas is like a pilgrimage for all international artists including legendary drummers of Japan, Chinese acrobats, Russian circuses, French burlesque shows and classic Italian tenors. The art gallery at the Bellagio casino has an extensive collection of art that could be the envy of any major art gallery. Thus, casinos contribute significantly to arts and recreation.

Great Britain has recently liberalized its gaming policy by moving away from old beliefs that casinos can serve only “un-stimulated demand”. As a result, England is witnessing a large growth with massive new international investments resulting in the creating of new jobs and new tax revenues.

In India, if allowed, legal casinos will significantly reduce the outflow of Indian gaming dollars to foreign destinations. It is a known fact that Indians are flocking to foreign destinations for holidays.[9] Every rupee leakage to foreign casinos is associated with many more rupees for non- gaming activities which, if spent locally, would provide additional jobs. Casinos will help alleviate the severe shortage of leisure and recreation infrastructure by providing a reason for tourists to stay longer and spend more. In Madhya Pradesh, the average stay of a tourist is two nights. It is believed that a casino in the area would double that stay for most tourists. The casino could be part of an overall package that includes fine dining and entertainment. As Chief Minister Digvijay Singh explained, “we should try to hold these tourists here for more than two days and casinos can really lure them.”[10] Casinos will increased hotel occupancy, for example in Windsor, hotelier’s report that their weekend business is up by as much as 50 percent.[11]

Casinos and Jobs: Casinos are highly customer- service oriented and very labour intensive. A large casino in Las Vegas may have more than 10,000 direct employees. The three casinos in Ontario employ more than 12,000 in gaming alone. The casinos in Atlantic City employ more 46,000 persons and spend $1,971 million on goods and services purchased from more than 10,000 other business enterprises, which is obviously lead to a much larger number of jobs. An average casino in Atlantic City employs approximately 4,000 people. Since labor is relatively cheaper in India, a similar sized casino would employ more people. Our studies show that we would hire 50 percent more staff in India compared to similar sized operation in Canada. It should be noted that for each casino job, many other jobs are created outside the casino in the supply and service chain. This includes food production related jobs, furniture and carpet manufacturers, installers, computer suppliers, cooks and chefs, computer programmers, insurance agents, janitors, etc.

Casinos and taxes: Casinos generate significant new tax revenues for the host state. In Nevada, the effective tax rate of about 7.5 percent of gaming revenues accounts for almost 50 percent of the state's annual budgetary receipts. Thus the state has been able to maintain extremely low state taxation rate, zero personal income tax or state death duties. The state of New Jersey, which decided to restrict casinos to Atlantic City, imposes a tax of 8 percent of gaming revenues that amounted to more than $310 million in 1997. "These revenues go to the Casino Revenue Fund", which helps the elderly and the disabled. Casinos are also required to either invest 1.25 percent of their gaming revenues in Casino Reinvestment Development Authority approved projects or pay another 2.5 percent to the Casino Revenue Fund. Additionally, city casinos paid $149 million in property taxes, which are approximately 79 percent of the total property taxes in the city. Other taxes paid by casinos include hotel luxury taxes of $15.4 million, a promotional tax of $.75 million, and $15.7 million in parking taxes.[12]

In jurisdiction without legal casinos, the activity still takes place that benefits only shady operators of the underground economy. The benefits to India would depend upon sustainable tax rates and market size.

Casinos will lead to local economic diversification: The economy of Windsor, for example, was primarily driven by the auto sector that is cyclical in nature. The casino has become the third largest employer in the area and has managed to drastically reduce the fluctuations caused by economic cycles. In Niagara Falls, Canada, the casino has dramatically reduced the cyclical nature of tourism and made it a year round activity. In India, economic diversification will also happen in a big way and many service sector firms will expand to serve the casino.

Casinos will reduce illegal gaming activity: It is a recognized fact that there are plenty of illegal gaming operations all through India. Illegal gambling activities include card games, bookmaking, gaming houses, pyramid schemes, betting on cards, Tambola, illegal lotteries, bingo and video gambling devices. If India were to offer legal casinos, the gambler will enjoy the benefits of:

- Regulated honest games with consistent odds
- A secure/safe environment
- A range of entertainment and other attractions, in addition to gambling
- No criminal activity (loan sharking, etc.) relates to illegal gaming activity

- Controls on issuance of credit.

Indian newspapers frequently report stories with heading like "Gambling Racket Busted". For example, a recent running of the *Times of India* reported that the police arrested 12 persons and "smashed a gambling racket being run from the staff quarters" of a hospital and "recovered Rs. 1, 66,310 as stake money." Thus this is a major reason for not allowing legit casinos that can be regulated.

Casino and Negative Contributions: there are, of course, certain negative externalities associated with casinos. The notable being *compulsive gaming behaviour*. A recent Harvard study indicated that about one percent[15] of the population in the United States exhibits compulsive gambling behaviour. New gambling opportunities like a new casino may have some impact on this statistic. However, proactive mitigating measure can be designed and implemented by casinos. It should also be noted that since gambling choices are already available to most, those prone to compulsive gambling are probably already affected.

Casinos and Crime: Casino opponents often associate crime with casinos. It is an unfortunate fact that the mob controlled casinos for a number of decades, particularly in Nevada. The problem was compounded by a misguided regulation that prohibited corporate ownership of casinos. This made it easy for the mob to enter and control the industry. It also provided the mob easy access to cash, and money laundering facilities were a nice bonus. Now, the situation is totally reversed. Casinos in most jurisdiction are very tightly regulated and international corporate ownership is a norm. Major multinational corporations manage these casinos with millions and billions of dollars invested in each property. These casinos cannot afford to allow criminal association destroy their credibility and global business. It is safe to say that casinos are much more regulated than banks and other financial institutions in many jurisdictions. There is no dispute that casinos in Ontario, Nevada, New Jersey, Great Britain and most other countries have eliminated the influence or even the appearance of organized crime associated with casino. Every employee and every supplier is screened thoroughly by the police.

There is considerable debate about the impact of casino on area crime.[16] Should a casino (or shopping mall or theme park) be established in an unpopulated area, there would certainly be an increase in visitors/people and therefore an increase in crime. Almost all studies, however, reject the argument that casinos uniquely will encourage prostitution, robbery and alcohol- related crimes. In fact, most jurisdictions with casinos report a decline in crime rates. In Windsor, Canada, the police chief has suggested that the reason for crime reduction has been increased employment in and around the casino.

In the USA, of the 10 cities with the highest crime rates, only one --- Detroit --- has casinos. Detroit has been one of the most dangerous cities in the USA in terms of crime even before casinos were allowed. Major casino cities like Las Vegas, Atlantic City, Reno, Laughlin, Biloxi, Tunica, Ledyard, etc. are not on that list. It is interesting to note that some major family destination cities like Orlando with Walt Disney also have flourishing casinos. Similar results are reported for violent crime. The aggregated crime index for Miami, Fort Lauderdale, Phoenix, New Orleans, Tampa, St. Petersburg and Orlando are higher than that for Las Vegas and other casino cities. Similarly, the national Insurance Crime Bureau study on vehicle theft develops a list of cities with the highest vehicle theft rates. Frisco comes out at the top followed by Miami, Jersey City and New York. New Orleans is ranked eighth, and no other major casino city is among the top ten.

Some casino critics suggest that casinos contribute to money laundering. The authors do not believe it to be possible in a well- run and regulated casino. Such casinos will have 23- hour surveillance by hundreds of monitored cameras at each and every location where money is exchanges between casino and the client. In addition, there are some internal measures that we are not at liberty to discuss here. Gary Nichols, an inspector with Royal Canadian Mounted Police (RCMP), has opined that it is “now virtually impossible to launder money in a casino.”[17]

Casinos differ other forms of gambling in that they create a large number of jobs and have significant positive linkages to the economy. Casinos can also become anchors for destination resort development. India could achieve a revival of her stagnant tourism sector through much needed infrastructure improvement made possible by approving casino projects.

In summary, India could bring in hundreds of millions of dollars in new investments that would create new skills, provide a new entertainment option and generate millions in new tax revenues without creating problems. India will generate hundreds of crores of rupee in new taxes from casino ventures. Casinos will train and employ a large number of new employees. New opportunities will be created for local artists to showcase their talents. They will improve the local infrastructure and beautify the local area. Better facilities also mean that new business will prefer to locate here. However, just like any other large project, whether a large theme park or a factory, casinos will have also some externalities. Nevertheless, studies have shown without doubt that their positive impacts far outweigh the perceived and real negative.

Conclusion

India has a very large middle-income group, with a relatively high marginal propensity to gamble. They desire leisure and recreation activities, and can afford it. To satisfy their demand, they are now forced to go to either underground gaming houses, clubs and/or foreign legal casinos. There is an outflow of money to other gaming jurisdictions and criminals.

Governments in India are under increasing pressure to find tax revenue as most state governments are suffering from large budgetary deficits. India has more than 20 cities with more than one million population, but only a handful of these are on tourist maps. Tourists to India are likely to spend more and stay longer if there were some recreation facilities such as casinos for late evening and night entertainment. Thus, pressure for the introduction of casinos in India is developing from factors that include:

- Lack of entertainment and leisure activities for tourists.
- Stagnant tourism sector stuck at about 0.4 percent of world tourism.
- Low hotel occupancy rates.
- Increasing awareness that most people use casinos for harmless recreation.
- A rapidly growing middle- income group that wants access to recreational activities.
- A large number of NRIs who visit India, and Indian professionals with extensive foreign experience and income, want to enjoy the facilities they have been used to.
- Availability of legal gaming in many forms--- lotteries, bingo, horse racing, slots.
- Existence of a much larger illegal gaming sector, and desire to develop casinos.
- Huge fiscal deficits at the central and state levels and difficulties in finding new sources of taxation.
- The gaming tax is a voluntary form of tax and would not be criticized by those opposed to taxation.

There are a number of international investors with in-depth knowledge of industry and are ready to invest in such ventures in India. However, they may walk away after facing endless promises and little forward movement if decisions and clear procedures are not established soon.

Appendix A

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
SIA (FC Division)
PRESS NOTE NO. 5 (2002 Series)

Subject: Prohibition on foreign investment in lottery business, gambling and betting--- regarding

1. As per existing policy, lottery business, gambling and betting are not open to foreign investment, which applies to FDI, FII portfolio investment on non – repatriation basis and investment by foreign venture capital investors.
2. Government has been receiving queries from certain State Governments, prospective investors, technology providers, franchise/ trademark/ brand name licensors, management consultants, etc., as to whether FDI is permissible in Government/ private lotteries, online lotteries, casinos, etc., and also whether foreign technology collaboration, including licensing of franchise/ trademark/ brand name, management contract, etc., are permitted in the lottery business, gambling and betting sector.
3. It is clarified that both foreign investment and foreign technology collaboration in any form are completely prohibited in the lottery business, gambling and betting sector.

(MS SRINIVASAN)
Joint Secretary to the Government of India
F. No. 5(31)/2000-FC I dated 5th July 2002

Endnotes

1. ‘Odds & Evens’, *Intelligent Investor*, May 31, 2000, p.22
2. *Ibid*, p.24.
3. ‘Gambling in Government Clubs Legal?’ *The Hindustan Times*, May 23, 2000, p.6.
4. 4 *Ibid.*
5. “India wants more of Global Tourism Pie’, *Travel Trade Gazette, Asa*, Oct. 10, 1997.
6. ‘Plan to Open Casinos in Town of Erotic Sculptures Put Off’, *Deutsche Presse- Agentur*, Feb. 10, 1997; ‘Bid to Open India’s First Casino Runs into Flack’, *Agence France Presse*, Sept.26, 1997; ‘ ‘Corrupt’ Casinos Barred’, *supra.*
7. *Ibid.*
8. For Information on Native American gaming, *see* Anthony Cabot, *Federal Gaming Law*, 136-172 (1998)
9. ‘Foreign holidays lure more Indians’, *The Times of India--- Business Times*, June 6, 2000.
10. *Agence France Presse, supra* n 11.
11. KPMG, ‘One-Year Review of Casino Windsor’, Nov.1995 at 40. A similar experience was evident in Niagara Falls following the opening of the casino. Many new hotels are under development and many existing hotels are expanding, thereby improving the local tourism infrastructure.
12. All taxes are for 1997, source: *Gaming Industry Economic Impact Report*, Public Information Office, New Jersey Casino Control Commission.
13. *Ontario Casino Market and Economic Impact Study*, The Coopers and Lybrand Consulting Group, 1993.
14. ‘Crime File’, *The Times of India*, May 23, 2000, p.7.
15. *The Harvard Study Reference*, ‘Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta Analysis by Shaffer, et al, Harvard Medical School Division of Addictions’, Nov. 25, 1997.
16. Id.
17. *Windsor Star*, April 15, 1998.

Internet Gambling: *Prohibition vs. Legalisation*

Tom W. Bell

Tom W. Well presented this paper as a testimony before the National Gambling Impact Study Commission, Chicago, Illinois, on May 21, 1998
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Introduction

This paper presents the relative merits of prohibiting Internet gambling versus legalizing it. The issue certainly deserves our careful consideration—but not because public debate will determine whether Internet gambling gets prohibited or legalized. No amount of debate will do that. Ultimately, it does not even matter whether legislators and law enforcement officials try to outlaw Internet gambling. Public deliberation and government action *will* determine whether legalized Internet gambling comes slowly and painfully or quickly and cleanly---hardly a trivial matter. All facts indicate, however, that sooner or later Americans will legally gamble over the Internet.

I will describe some of the factors that will frustrate attempts to prohibit Internet gambling and compel its eventual legislation. I will focus on three factors:

First, *Internet technology renders prohibition futile.* The Internet's inherently open architecture already hobbles law enforcement officials, while relentless technological innovation ensures that they only fall farther and farther behind.

Second, as an international network, the Internet offers an instant detour around merely domestic prohibitions. Principles of national sovereignty will prevent the US from forcing other countries to enforce a ban on Internet gambling, and it takes only one safe harbour abroad to ensure that US citizens can gamble over the Internet.

Third, consumers demand for Internet gambling and the states' demand for tax revenue will create enormous political pressure for legalization. The law enforcement community, which had until recently enjoyed the media spotlight, will quickly find its calls for prohibition drowned out by these and other political forces.

Since the hard, cold facts about the inevitability failure of prohibition will undoubtedly depress some decent and well-intentioned people, I will leaven my analysis with some comforting words about Internet gambling. A dispassionate account reveals that Internet gambling offers several benefits:

- Internet gambling will drive network development;
- It will provide a more wholesome environment than real-world casinos; and
- It will benefit consumers by increasing competition in gambling services.

Before launching into the details of why legalization will trump the prohibition of Internet gambling, and why that outcome should cause no great alarm, allow me to clear away a preliminary objection. Some proponents of a ban on Internet gambling argue that if prohibition will not work then neither will any scheme of regulation.[1] Such an argument fundamentally misunderstands a basic principle of governance; however, regulations can succeed even where prohibition fails if they offer benefits that exceed their burdens. That is why people do not illegally shoot craps in Las Vegas alleys. In the case of Internet gambling, the benefits of winning an official stamp of approval might convince an online casino to submit to regulation, even if that same casino could easily flout a total ban on its business. Exactly how much regulation will the Internet gambling industry tolerate? In all likelihood, not very much---but only practical experiences can settle that question.

Internet Technology Renders Prohibition Futile

The very architecture of the Internet renders gambling prohibition futile. In contrast to telephone communications, which typically travel over circuit switched networks; Internet communications use packet switching. Each Internet message gets broken into discreet packets, which travel over various and unpredictable routes until received and reassembled at the message's destination. In other words, sending a message over the Internet is a bit like corresponding with someone by writing a letter, chopping it up, and mailing each piece separately to the same address. The recipient can piece it together but anyone snooping on your correspondence has a tougher go of it.

Understanding Internet communications as akin to the postal system clarifies why gambling prohibition just will not work. Imagine telling the postal service that it must henceforth crack down on all letters conveying information used in illegal gambling. It would rightly object that it already had its hands full just delivering the mail and that it lacks the requirement and personnel to snoop through every letter. It would furthermore note that it could not always tell which messages relate to illegal activities. People use "bet" and "wager" in everyday conversations whereas gamblers often speak in code. Meanwhile, customers of the mail service will strongly object to having the postal service paw through their correspondence.

Nor can prohibitionists expect the postal service to simply stop delivering mail to and from certain addresses associated with illegal gambling. The postal service will again object to the burdens of implementing such a programme. Citizens will again object to law enforcement officials spying on private correspondence. More importantly, though, trying to cut off certain address will simply fail to stop gambling. Gamblers will rely on

PO boxes, which they change at a moment's notice, and simply drop off outgoing correspondence with no return address.

All these considerations apply with equal or greater force to Internet gambling. Compared to the postal system, the Internet makes it easier to encrypt messages, to change addresses, and to send and receive messages anonymously. Internet service providers would thus find it impossible to discriminate between illicit gaming information and other Internet traffic. Furthermore, in contrast to the quasi-public and monolithic postal system, the Internet relies on thousands of separate and wholly private service providers to carry out its deliveries. All of them would stridently object to the burdens of enforcing a ban on Internet traffic. More than a few would simply refuse to cooperate.

Does that sound like a pessimistic account? To the contrary, it merely describes the current situation. As technological innovation continues to drive the development of Internet communications, law enforcement officials will fall farther and farther behind illegal gamblers.

Given these technological constraints, prohibiting Internet gambling plainly will not work as intended. As an unintended side effect, however, prohibition would sorely compromise the cost, efficiency, and security of Internet communications. Given inevitable failure of technical fixes, legalizing Internet gambling offers the only viable solution.

Internet Gambling Can Escape Domestic Prohibitions

Outlawing Internet gaming services domestically will simply push the business overseas. Federal law enforcement agents admit that they cannot stop overseas gaming operations. "International Internet gambling? We can't do anything about it," Department of Justice spokesman John Russel said, "That's the bottom line."[2] Even Sen. Jon Kyl has confessed that "this would be a very difficult kind of activity to regulate because we don't have jurisdiction over the people abroad who are doing it."[3]

Both practical and legal barriers prevent any domestic ban on Internet gambling from having international effect. Because the Internet gambling from having international effect. Because the Internet provides instant access to overseas sites, any domestic prohibition on the offer of gaming services will have to cover the whole planet to work. American law enforcement agents can---and recently did---arrest local citizens accused of running Internet gambling businesses but smart operators will quickly learn to set up abroad and stay there.[4]

Gaming services can find ample shelter overseas. A growing number of countries, including Australia, New Zealand, Antigua and Costa Rica, have decided to legalise and license Internet gaming services.[5] Principles of international law, which protect each country's sovereignty, bar the United States from extraditing its citizens merely for violating domestic anti-gambling laws.[6] Furthermore, the Sixth Amendment of the Constitution's Bill of Rights prohibits the criminal prosecution of those who remain overseas while operating Internet gambling sites.[7] Law enforcement officials in the United States can thus neither arrest nor sentence anyone who offers Internet gambling services from a safe harbour abroad.

The Powerful Demand for Internet Gambling

Americans love to gamble. Having already embraced traditional games of chance, they will almost certainly extend a warm welcome to Internet gambling. At least 565 percent of Americans gambled in 1995.[8] Few Americans regard it as immoral. A 1993 survey found that only 25 percent of non-gamblers cited moral or religious reasons.[9] By current estimates, Americans will wager more than $600 billion in 1998----nearly $2,400 for every man, woman and child.[10] About $100 billion of that sum will go toward illegal bets, demonstrating that Americans already pay little heed to anti-gambling laws.[11]

Regardless of its legality, Americans have already shown that they support the nascent Internet gambling industry. Analysts calculate that of the $ one billion in revenues that Internet gambling generated in 1997, about $600 million came from United States.[12] Online casinos will have worldwide revenues of some $7.9 billion by the year 2001, $3.5 billion of it coming from US consumers.[13] Because the Internet offers bettors instant access to overseas gambling will grow regardless of what prohibitionists want.

Soon though, the prohibitionists will have more than consumer demand to worry about. Law enforcement agents have seized the media spotlight by telling scary stories and demanding new powers to crush Internet gambling. As the futility of prohibition becomes more and more evident, however, cooler heads in the state revenue department will begin to see Internet gambling as a huge new cash cow. Prohibition merely assures that Internet gamblers will ship their money to places like Antigua, New Zealand, and Australia. State governors and legislatures will soon demand a share of that bounty. The same political forces that have led to the widespread legalisation of lottery, casinos, and riverboat gambling will thus eventually lead to the legalisation of Internet gambling.

Indeed, this trend towards the legalization of Internet gambling has already started. Initially, Sen. Kyl's Internet Gambling Prohibition Act of 1997 banned every sort of online commercial contest, everywhere in the United States, for everyone involved.[14] Facing a storm of objections, he recently drafted an amendment to the bill that would allow a variety of types of online gambling, such as interstate off-track bet pooling and intrastate pari-mutuel and lottery bets.[15] Rep. Bob Goodlatte once defended his own bill to prohibit Internet gambling with the claim that existing laws "have been turned on their head" by the Internet because "[n]o longer do people have to leave the comfort of their homes" to access casinos.[16] In fact, however, nine states already allow their citizens to access professional gaming services at home via telecommunications devices.[17] Legalised Internet gambling, far from revolutionizing American culture, will come as a natural extension of current social and technological trends.

The Benefits of Internet Gambling

I have set forth a number of reasons why attempts to prohibit Internet gambling will inevitably fail and give way to legalization. Mere futility hardly suffices to bar bad public policy, however. Allow me, then, to adduce some reasons why we should welcome the legalization of Internet gambling.

Internet gambling will encourage the private sector to develop network capacity and commerce. Just as real-world casinos have competed to build the most innovative and appealing environments, so too will Internet gaming services compete to offer the flashiest graphics and most sophisticated user interfaces. That competition will, as a nice side-benefit, result in broader bandwidth and better software for all sorts of Internet applications.

Critics of real-world casinos fault them for luring consumers into windowless caverns far from the real world, with gambling traps at every turn and free-flowing booze. Regardless of the validity of such criticisms, they certainly do not apply to Internet gambling. To the contrary, consumers who log on from home computers will find it impossible to escape phone calls, barking dogs, and all the other distractions of the real world. Internet gambling thus offers a more wholesome environment than its real-world counterpart.

Lastly, we should never forget that gamblers deserve all the benefits that other consumers of entertainment services enjoy---including the benefits of competition. By giving consumers cheap and easy access to a variety of gaming opportunities, the Internet will bring competition to an industry that has long enjoyed the shelter of highly restrictive licensing practices. Gamblers will no longer have to fly to Las Vegas to play the slots, drive to the nearest authorized track to play the horses, or even walk to the corner store to play the state lotto. Consumers can already play these and other games at home via the many Internet web sites---over 50 and growing---that offer gambling services.18 Prohibiting Internet gambling will not make it inaccessible, whereas legalizing it will put the benefits of increased competition within the rule of law.

Endnotes

1. See, for example, Sen. Jon Kyl's analysis of the issue: "on one hand, they say no way can your control this, and then they turn around and say regulate it. I think they're being disingenuous." Joe Salkowski, Betting on the Horses—Racing Lobbyists Jockey Past Proposed Internet Gambling Ban, Arizona Daily Star, May 15, 1998, available at http://dispatches.azstarnet.com/features/1998/0415.htm (quoting Sen. Kyl).
2. Steven Crist, *All Bets are Off,* Sports Illustrated, Jan. 26, 1998, at 85.
3. Ted Koppel, *The Odds of Stopping Gambling on the Internet,* ABC Nightline, April 7, 1998 (excerpt of videotaped statement by Kyl). Kyl continued his analysis by proposing a solution to this admitted problem: "So the way that our legislation is enforced is to simply pull the plug at the point of entry into the United States." *Id.* This reveals a fundamental misunderstanding of how the Internet works, however. Thanks to packet switching, Internet traffic from a given country can enter the US from any number of overseas sites. To bar entry of Internet traffic from, say, Antigua, Kyl would have to bar *all* international communications.
4. See Benjamin Weiser, *14 Are Charged With Taking Sports Bets Over the Internet,* New York Times, March 5, 1998, at A1. Weiser recounts the first federal crack-down on Internet gambling operators, and quotes Anthony Cabot, a gambling law expert in Las Vegas, Nevada: "You're never going to see a shutdown," Cabot said. "[T]hose who are in the industry are going to take much greater precaution in hiding their ownership if they are US citizens." *Id.* at A1, A29.
5. See Crist, *All Bets are Off,* at 92 (discussing plans of Australia and New Zealand to legalise and regulate Internet gambling); *Id.* at 88 (discussing Antigua's licensing practices); Mary Ann Akers, *On-line betting makes some rich, others edgy,* Washington Times, Jan. 27, 1998, at A1, A8 (discussing practices in Costa Rica).
6. Gyneth McAllister, Expeditor of International Investments for the Antiguan government, commented, "The issue for the United States should not be whether Internet gambling should exist in Antigua or not. Antigua is a sovereign state and isn't their concern. We are no banana republic." Quoted in Crist, *All Bets are Off,* at 88.
7. US Const., amend. VI: "In criminal prosecutions, the accused shall enjoy the right….to be confronted with the witnesses against him…"
8. Kevin Heubusch, *Taking Chances on Casinos*, American Demographics (May 1997), available at <*http:www.marketingtools.com/Publications/AD/97_ad/9705_ad/AD970530.htm*> (quoting Roper Starch Worldwide Inc. survey).
9. Heubusch, *Taking Chances on Casinos,* (quoting Roper Starch Worldwide Inc. survey).
10. Crist, *All Bets are Off,* at 85. Note that this sum represents what American gamblers risked on their bets ("handle" to gambling businesses) rather than what they lost (gambling businesses' gross revenues).
11. *Id.*
12. Sebastian Sinclair, *Casino Gambling and the Internet* (Christiansen/ Cummings Associates, Inc., 1998) (estimating 1997 worldwide Internet casino revenues of $ 1,090.1 million, and combined US and Canada market of $603.5 million).
13. *Id.*
14. Internet Gambling Prohibition Act of 1997, S. 474 (Reported in Senate), 105th Cong., 1st Sess. (1997).
15. See Internet Gambling Prohibition Act of 1997, S.474, 105th Con., 1Sess. (1997) (Draft amendment in the nature of a substitute, on file with the author). See also Salkowski, *Being on the Horses---Racing Lobbyists Jockey Past Proposed Internet Gambling Ban.*
16. 143 Congressional Record E1633 (Sept. 3, 1997) (statement of Rep. Goodlatte upon introduction of Internet Gambling Prohibition Act of 1997).
17. Sinclair, *Casino Gambling and the Internet* 8, 21 n. 3.
18. Crist, *All Bets are Off,* at 85 ("In '96 only two on-line sites handled sports bets; now there are at least 50."). See also, Mary Ann Akers, *On-line betting makes some rich, others edgy,* Washington Times, Jan 27, 1998, at A1 (discussing generally the scope and operation of offshore gambling sites); Brett Pulley, *With Technology, Island Bookies Skirt US Law*, New York Times, Jan. 31, 1998, at A1 (same). US.C.A. §1084 (1997).

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