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Implications of Online Gambling Legalization

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Abstract

The tradition of gambling has been around for thousands of years, but has undergone a recent evolution into what it is perceived as today. This has turned it into an industry of its own, which will only continue to grow with the ongoing legalization of online gambling. Past trends in these legislations would project further economic growth tied to the gambling industry. However, the mental health implications that have been seen to stem from the practice of gambling are as present as ever. This problem associated with the industry will also be expected to climb as gambling becomes both more widespread, and easily accessible. This leaves the question of whether there is a relationship between the economic output generated by the gambling industry, and the mental health of those involved in these wagers. If such a relationship exists, how will online gambling affect this relationship?

Keywords

Gambling, Online Gambling, Legalization, Mental Health

Disciplines

Economics | Gaming and Casino Operations Management | Mental and Social Health

Comments

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Implications of Online Gambling Legalization

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Abstract

The tradition of gambling has been around for thousands of years, but has undergone a recent evolution into what it is perceived as today. This has turned it into an industry of its own, which will only continue to grow with the ongoing legalization of online gambling. Past trends in these legislations would project further economic growth tied to the gambling industry. However, the mental health implications that have been seen to stem from the practice of gambling are as present as ever. This problem associated with the industry will also be expected to climb as gambling becomes both more widespread, and easily accessible. This leaves the question of whether there is a relationship between the economic output generated by the gambling industry, and the mental health of those involved in these wagers. If such a relationship exists, how will online gambling affect this relationship?

Implications of Online Gambling Legalization

The concept of gambling is something that has become intertwined into our society, both in noticeable and covert ways. What may come as a surprise to many is that this now common action dates nearly 45,000 years in the past, with recognizable gambling games becoming present in Egypt roughly 2,500 years ago (Suissa, 2013). This is almost an innate part of human nature, on the basis of someone putting something at risk in hopes of earning an outcome of greater significance or value (Potenza, 2008). As society has evolved, this practice to acquire something of value through a risk has escalated further and further. Similar to many other potentially risky actions, the negative mental health implications of gambling have been disregarded. Even though there is a negative stigma surrounding gambling, why do people still partake? According to the studies of Sigmund Freud, games related to gambling can fall under the category of play as therapy (Kusyszyn, 1984). What this means is that people see gambling as a temporary lapse from reality, through which they can achieve both intrinsic and extrinsic motives. This basic concept is a driving force as to why people willingly choose to gamble, despite the known mental health detriments. After this initial commitment is made by a gambler, the Monte Carlo fallacy plays a role in their commitment to playing repetitively. This fallacy creates the misconception that past losses will influence future results, which is not the case, due to the randomization of many gambling games (Amadiou & Hamilton, 2015). These two mental sets therefore unite to create the recurring action of gambling.

In the past 400 years, the framework of gambling has blossomed from the founding of casinos in the 1600's, to the introduction of games resembling slot machines in the late 1800's. By the Twentieth Century, nationwide bans against gambling had been eased, leading to the boom of popular sites, such as Las Vegas (Gambling.net, 2021). However, the most significant

event in the history of this phenomena began in the 1990's, when casinos began implementing virtual casino games, typically characterized by having some form of online interface. At this point in time, the American Psychiatric Association had already begun considering a condition involving an addiction to gambling (Petry, 2010). Regardless of this, next to no support systems for those who might have been struggling from this addiction were established. The vast expansion of the internet during this time led to this new venue for gambling to expand greatly, with online sites being the next step. By the year 2004, the number of these online gambling sites was already nearing 1,500 (Eadington, 2004). In 2013, New Jersey made a groundbreaking decision to legalize online gambling, after which five other states followed. This, along with the nationwide legalization of sports betting in 2018, set the precedent for what was soon to come with online gambling (The Daily Gazette, 2021). As all of these legislations have been passed, the focal point has been the economic upsides that could occur. This has led potential drawbacks of online gambling, mainly in regard to the effects it has on the mental health of its users, to be overlooked, or even ignored purposely.

From its inception, many have been skeptical of this new platform for wagering money, as they feared it would emphasize the negative consequences being seen through in-person gambling, or even worsen them. A major concern levied in opposition to this shift is the mental health defects that gambling has on those who partake in it, and in this case, the way in which this could impact younger populations. On the other hand, others point towards the upsides of this utilization of the internet for gambling, with hopes of economic prosperity in mind. It can be theorized that both of these may be true, that the further legalization and implementation of online gambling will have further negative effects on the mental health of those participating, and that economic growth could be an outcome of this as well. Furthermore, it can be predicted

that a relationship may be present between the variables of mental health of gamblers and the economic growth in the United States. This relationship may currently be present, but will become more extreme with the legalization and overall spread of this method of gambling. Since gambling, particularly in large venues and casinos, has become a mainstream practice during the past hundred years, those facing the negative effects of it have not been affected proportionately. The action of gambling itself has been found to be very similar to the use of drugs or other illicit substances. Findings have proven that these wagers can alter the brain's circuitry in the exact way that an addictive drug can, leading to negative experiences such as withdrawals and impulsive decisions (Jabr, 2013). This can not only lead to those partaking in gambling to become addicted, but can be accompanied by stress, anxiety, and financial burdens. Those suffering from a gambling addiction have been found to have a fifty percent chance of suffering from anxiety, depression, or even an addiction to another substance (Catford, 2012). A majority of gambling addicts will end up suffering from more than one of these aforementioned outcomes. One of the major problems with this outcome is the population that most commonly falls victim to these consequences. It has been found that those most negatively affected by these mental health implications are those coming from a lower socio-economic class. Gambling can create an illusion that these people have some form of control, based on their opportunity to potentially leave with more assets than they entered with. Unfortunately, this belief is almost never the case (Cotte & Latour, 2009). In reality, these people do not have control, and without the financial backing to incur these losses, they are the ones who suffer the most from gambling. But these mental health implications do not solely affect those partaking. It has also been found that those close to gamblers have faced various downsides, including physical and mental stress

and even abuse (Griffiths, 2004). Unfortunately, the use of online gambling will only exacerbate these present problems.

The first reason for this is that there are many advantages to users when using an online gambling platform opposed to a traditional gambling location. With a smartphone or computer, and an internet connection, most people can access these websites and applications from the comfort of their own home. Along with this convenience and overall comfort, users are found to feel less guilty when participating in online wagering, simply due to the anonymity that is commonplace on many sites (Cotte & Latour, 2009). Because of these factors, the action of gambling can become a routine very quickly. A 2014 study looked at how predictive behavioral patterns stemming from traditional gambling were over the span of two months, and it was concluded that eight percent of people showed a pattern. When the same study was done for online gambling, this figure was a whopping forty-five percent (Ma et al., 2014). This illustrates the comfort level that provides an opportunity for online gambling to be a more repetitive action than traditional gambling. Once these repetitive gambling habits begin, it does not take long before a full-blown addiction has commenced. The term “pathological gambling” was coined in 1980, when the addiction to gambling was added to the Diagnostic and Statistical Manual of Mental Disorders (DSM). This officially recognized the addictive properties related to gambling, which have become more prevalent over time with the commercialization of gambling (Abbott, 2017). Another glaring problem becomes apparent when looking at how these online gambling sites are promoted and even how they are formatted. In this day and age, there are many sites that simulate gambling, typically using a form of in-game currency. This may seem harmless, but even this form of gambling has negative effects on its users. Many players find themselves caught in the desire to win, and are forced to purchase more in-game currency. While this is

occurring, these users are subconsciously rationalizing the idea of gambling or wagering (Megele et al., 2017). This is especially detrimental when taking into account that many of these gambling simulators are available for use by children, conditioning them to be okay with gambling. In recent years, many “typical” video games have incorporated some form of wagering system, narrowing the divide that is expected to exist between harmless video games and gambling (Megele et al., 2017). This has become such a problem that countries such as the United Kingdom have considered passing legislation against such games, citing that they produce problematic gambling behaviors among youths (Loot boxes linked to problem gambling in new research, 2021).

When considering anything that is new or recent, especially in the internet era, there are bound to be flaws and errors. When discussing these flaws in terms of online gambling, they seem to be both plentiful and costly. Problems seem to be recurring in the sectors when it comes to the subject of security. Many online gambling companies are not entirely transparent with how they regulate use on their sites. This includes what they are doing with the data of customers, as well as how secure their information is being kept (Clarke & Dempsey, 2001). Unfortunately, similar to many gig platforms, these gambling sites have not invested as heavily as they should have in the area of securing this online data. There have already been large-scale data breaches of these sites, during which the personal information of many was disclosed. These leaks of personal information only add to the stress faced by those using these online gambling sites. Regardless of what type of website one’s personal data has been released from, it has been found to have negative mental health repercussions (Richterich, 2018). Furthermore, errors and glitches in the software of online gambling sites have left players without their earnings, once again increasing their anxiety and stress.

As a whole, there has been research to firmly prove that online gambling, from a broad viewpoint, negatively affects mental health. A 2020 study analyzed the degree to which people would be more stressed after partaking in an online wagering game. The result was that a third of people reported feeling stressed or anxious after playing (Lees, 2020). This shows that just by playing one of these games, even for a very short period of time, can still produce these aforementioned mental health downsides. In addition, 40% of the respondents claimed that they had spent more money playing than intended, due to the game being online (Lees, 2020). This once again ties back to the idea that financial shortcomings that are related to gambling can play a role in one's mental health situation. This second statistic alludes to the long-term financial problems that can be caused by online gambling, simply due to people not being aware of how much money is being spent (Lees, 2020). In some cases, these lacking financial situations have only worsened the mental health of players, causing more actions and behaviors representative of depression or addiction. In some cases, this can cause one's life to spiral out of control, which could be seen in the case of a British woman named Danielle. In the span of a year, Danielle saw her decisions fall into the hands of her gambling addiction, as she began making impulsive decisions, and ultimately began stealing money, totalling nearly \$80,000, to supplement the damage caused by her addiction (Stonehouse, 2021). This once again shows the importance of treating this form of addiction as seriously as others.

But when people are spending more money the economy must be benefitting for the best, right? In theory, this should be the case. When it comes to many risky or previously illegal activities, such as drinking or using marijuana, the government tends to legalize it with the intention of heavily regulating that industry. This regulation is typically enforced through taxation, which is seen as more efficient than flat out attempting to outlaw something. Especially

when discussing an industry whose location is online, this enforcement can be difficult (Siemens & Kopp, 2011). Although many sites are affiliated with physical casinos or organizations, there are also sites that are less legitimate, posing difficulties when it comes to this theme of regulation. In states in which online gambling is not yet legal, it has been particularly hard to enforce these laws, and in many of these states, there has not been a single conviction for the crime of online gambling (Jones, 2021). This once again proves how vital it is for these governments to begin profiting off of this industry, and have this money returned to the population, through regulation. This explains why half of the U.S. states have either legalized online gambling, or have a proposed legislation in place to do so (The Daily Gazette, 2021). With the money generated through the online gambling industry alone projected to be \$93 billion by 2023, it would certainly be beneficial for some of these earnings to be taxed (The Daily Gazette, 2021).

Luckily, the recent legalization of sports betting can serve as additional insurance that the regulation of online gambling will surely lead to economic growth. In 2018, The Supreme Court overturned the 1992 Professional and Amateur Sports Protection Act, making sports betting legal, with regulation (The Daily Gazette, 2021). Due to the recency of this, there are not exact numbers for the economic output produced, but it was previously estimated to be \$41.2 billion (Sacks & Ryan, 2017). When looking at how taxation would be enforced on this total, it was estimated that the cumulative state, local, and federal taxation would surpass \$8 billion (Sacks & Ryan, 2017). On top of taxing these organizations and sites on a transaction basis, governments can also look into levying additional fees to further regulate the growing industry. In many traditional casinos, there are a series of operating fees that must be paid, or permits that need to be acquired. If similar measures were taken in regards to online gambling sites, the government

would be further benefitted, even if taxation is just conducted on the federal level (The World Financial Review, 2021). Not only will this serve its purpose of charging these sites to operate, but it will also ideally lower or eliminate the amount of fraudulent sites that do business.

Of course with these two major variables, mental health and economic growth in mind, it is vital to consider how they might interact or relate to one another. Due to the seemingly inverse nature of these factors, it can be theorized that as economic growth continues to increase, the overall mental health of online gamblers will decrease. It has been seen that there is undisputable evidence linking gambling to negatively affected mental health, as well as the mental health of those around gamblers. As the means to gamble become more widespread and accessible, the scope of this problem will only grow. While this downturn in mental health occurs, the number of people partaking in this activity will create a surge in the economy. There must be a balance reached, in which gambling can take place, with the goal of stimulating economic growth, while also preserving the mental health of those involved. There are potential solutions to this problematic relationship that can certainly be put into action. The first is simply to increase the support for those who may be struggling with a gambling addiction, similar to the type of helplines that exist for those addicted to other substances. There are currently some that exist, but very few cater specifically to online gambling, which is believed to affect those addicted more harshly than traditional gambling (Siemens & Kopp, 2011). A large proportion of those who have suffered from an online gambling addiction are part of the younger generation. One helpline dedicated to online gambling addictions found that 60% of their calls came from people aged 35 or younger (Stonehouse, 2021). This brings the focus back to how these online gambling sites operate, as mentioned earlier, and how online games as a whole have been conditioning the younger generation to accept gambling as a norm. These more persuadable people are often

targeted with advertisements, often promoting free money or discounted opportunities to begin gambling (Eadington, 2004). With the accessibility provided by the internet, there is not much stopping prospective users from choosing to play. As of 2007, 23% of undergraduate students that responded to a survey said that they had online gambled (Petry & Weinstock, 2007). This number may not seem noteworthy, but given how abundant online gambling is in the year 2021, it is likely that this number has skyrocketed. This further emphasizes the need for a support system in the future for those who may be suffering from an addiction due to this industry.

Another positive step that can be taken is in the security department for many online sites. As mentioned earlier, many sites have experienced data breaches or leaks, which have put millions of people at risk, whether, emotionally, physically, or financially. Incorporating a solution like Blockchain could greatly reduce these risks, and could additionally serve as a sign of responsibility from these sites, perhaps improving their public perception both by society and the government (Jones, 2021). This could be a small step that would serve two purposes. Not only would more security provide peace of mind for those trusting a website with their data, but it would also legitimize the website through the gesture of commitment to its users. A final complaint that people have regarding online gambling is how its legalization will affect the traditional gambling industry. Many believe that the shift from casinos and in-person gambling and betting will lessen the need for jobs in those fields. Additionally, naysayers fear that the nature of the internet will simply not allow the government to regulate the new industry as much as it may need to be regulated (Hammer, 2001). Although some jobs may be taken away, they will be made up for in more skilled jobs working for these software sites. However, it has been unable to determine whether the legalization of online gambling has actually had a negative effect on in-person gambling sites, mainly due to the Covid-19 Pandemic. As for the regulation,

the sheer amount of money that will be brought in through taxes levied on online gambling sites will more than make up for anything that may occur off-record. Similar to what has been seen in the case of marijuana use in the United States, it will be found that the legalization and regulation of gambling will decrease the need for a black market for this product (Mathias et al., 2015).

Overall, it can be theorized that the increasing prevalence of online gambling will lead to a lower quality of mental health among its users. This problem can be aided through the use of support for users undergoing a potential addiction or stress stemming from this industry. In addition, there are measures, such as enhanced security, that can be enacted to slow or reverse this trend. As for the economic growth caused by this industry, it is very clear that online gambling sites will bring in absurd totals, but that the government will also be able to tax and regulate these transactions and all-around practices. This money will in turn be invested back into the population through means such as infrastructure. Lastly, it can be argued that there is an inverse relationship with mental health and economic growth, but this does not have to be permanent. With the steps mentioned, this relationship can be lessened, or even eliminated entirely.

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