

The Telegraph

US is odds on to benefit from the end of punitive sports betting rules

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May 18, 2018

The United States might be called “the land of the free”, but when it comes to “vice” its legislators are often distinctly illiberal.

Alcohol legislation is the best example. With a number of minor exceptions, the legal drinking age across states is 21 years old. Some states even control the distribution and sale of spirits directly. Cross the border from Washington DC to Virginia, and you can still buy beer and wine at supermarkets. But harder alcohol is reserved exclusively for sale in liquor stores actually run by the government.

If that’s baffling to you, then you may need to sit down. For there was a potential major breakthrough this week facilitating reversal of other insanely restrictive regulations.

The US Supreme Court struck down as unconstitutional the 1992 federal Professional and Amateur Sports Protection Act, which explicitly prohibited states from legalising sports betting (except four of them, most notably Nevada, and horse racing).

That’s right, most people in the US cannot right now put on an accumulator for the weekend’s big matches. No comprehensive in-play sports betting apps exist. No bookies at stadiums, so you can have a cheeky flutter on the result or goal scorers at a game. No online World Cup betting leagues to look forward to.

Given the legal dispute was about whether the federal government had the power to compel the states to impose its will, Congress could still decide to step in and regulate directly.

States themselves might unilaterally decide, of course, to keep bans or impose very restrictive laws. But liberal-minded reformers see good reason to hope a sea change is under way. Plenty of states are standing ready to legalise sports betting to varying degrees. Reason magazine’s Eric Boehm believes that a New Jersey horse racing track will have a betting operation working within weeks, with Delaware hoping to roll out sports betting at casinos by the end of June.

Four other states have passed Bills legalising sports betting in the past year in anticipation of this ruling. Up to 14 more plan to do so in the near future.

Vested interests, not least casinos, individual sports leagues and others, grapple for control of this process, some to protect ailing businesses or to seek a cut of any rewards.

A likely patchwork of different approaches across states means there is unlikely to be a mature, deep market as observed in Britain any time soon.

But plenty of lawmakers are waking up to the potential economic and social benefits of legalisation, playing catch-up with the public.

Americans have always had a propensity to bet on sporting contests, because they are human. A previous Reason Foundation report by economists Julian Morris and Guy Bentley showed that approximately \$155bn (£115bn) is bet each year, yet 97pc of this is currently illegal.

What is more, there is a high degree of confusion. As many as 62pc of Americans could not say accurately whether sports betting was legal in their state. As my Cato Institute colleague, Trevor Burrus, has written, the development of more sophisticated fantasy football and prediction league games for money (particularly for the basketball “March Madness” competition) has raised huge question marks about whether individuals are breaking federal law or not.

The 1992 congressional act was justified, supposedly, to protect the integrity of the sports themselves from encouraging teenage gambling and restraining the potential for match-fixing. An early Fifties gambling scandal in college basketball made policymakers understandably concerned at the potentially potent mix of sports and betting.

Yet this makes little sense from a practical perspective today. The American Anti-Corruption Institute (AACI) has rightly pointed out that legal betting markets are likely to be much less prone to game-fixing, not least because legal bookmakers themselves have incentives to review and stamp out such behaviour – or risk losing their shirt to nefarious large-scale activity.

Transparent, sophisticated legal betting data can these days be used to analyse betting patterns and map them to outcomes of contests. In an environment where betting was legal, major betting firms could work with leagues to identify such behaviour, as many around the world do already.

Then there are the benefits to consumers themselves. In legal, regulated markets, there is a much greater incentive for bookmakers to actually fulfil payouts to winners, because of the threat of legal action and the need to maintain a good reputation among customers.

These benefits are amplified if lawmakers enable a permissive environment and do not restrain betting to a narrow range of sources.

Competition between bookmakers leads to transparent and competitive pricing, and large legal markets enable bookmakers to hedge and offer low-cost services to customers.

If that is not enough to convince state lawmakers, then perhaps they should consider their own self-interest in terms of economic activity and revenues.

An Oxford Economics report has found that even a moderate nationwide legalisation could generate \$11.6bn to \$14.2bn in GDP per year, boosting overall tax revenues by anywhere between \$4.8bn and \$5.3bn, and generating up to 151,600 additional jobs.

If betting was as convenient as in the UK across the whole US, with retail locations, on-site casino availability, online and in-play markets, GDP could rise by up to \$24bn, tax revenues would increase by over \$8bn and 230,000 jobs could be created.

This particular court case has got lots of coverage stateside, not because of the consequences for sports betting, but because of its implications for other federal restrictions on state activity.

But for a liberal-minded person, who institutes the laws is perhaps less important to freedom than their content. Outlawing sports betting restricts consumers and businesses from desired trades. Thankfully, the odds of the proliferation of rational policy in this area have just improved dramatically.

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