

Proposed Law Change: Video Game Gambling

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Historically, when a new technology, industry, or problem arises it takes the government a few years to figure out what's going on and regulate it. This time period before regulation hits leaves a lawless environment ripe for exploitation, much like the Wild West before federal law. One industry currently going through their own Wild West era is video game gambling. The popularity of gambling inside video games has undergone unprecedented growth within the last few years. Joshua Brustein of bloomberg.com cites, "According to the research firm Eilers & Krejcik Gaming, more than 3 million people wagered \$2.3 billion [on professional video game matches in 2015]." Smart video game companies have found loopholes that circumvent gambling laws, which leads to a massive increase in profits for them but brings an even bigger ethical dilemma. The crux of the issue is that children are playing these games and developing gambling addictions and losing huge sums of their parents money. We'll cover how these companies are using gambling in their video games to generate revenue, the ethical implications and how they avoid legal action, and my proposed solution.

To understand the ethical and legal problems behind video game gambling, we first need understand how these video games work. One of the most popular video games that generate the most revenue from gambling is the online multiplayer first person shooter for PC, *Counter Strike: Global Offensive*, which we'll use for our example. In this game, players choose their weapon of choice, modeled after modern day weapons such as the AK-47 and M4A1, and battle against 5 other players. The game has sold over 25 million copies at \$15 each, but most of their revenue comes from users after they already own the game, through the purchase of virtual camouflages for the in game weapons, dubbed "skins". There are two distinct ways in which

these weapon skins are being used in unethical ways. The first way is in the purchasing of the skins, and the second way is what users are doing with their skins after they own them.

We have to cover some specific details about the mechanics behind how users spend money in the game which may seem minute but are necessary to understand how video game gambling works. To acquire the skins, users must first purchase a \$2.50 “key” to open a case containing a random weapon skin. The revenue generated by these keys goes through two companies, Steam and Valve. Valve is the company that makes the game, while Steam is the company that owns the platform the game runs on. Before users can play the game, they must have the Steam platform installed on their computer and deposit the \$15 into their “Steam wallet” to buy the game. Once that money is deposited in their Steam wallet it cannot be removed and can only be spent on Steam products such the aforementioned keys for Counter Strike skins. After obtaining the skins, users can trade their skins with other users or sell them on the “Steam market” in exchange for money that goes into their Steam wallet. The value of the skins being sold on the Steam market ranges from 3 cents to \$400. The price of the skins depends entirely what other Counter Strike players are willing to pay for them, making the Steam market it’s own private economy.

The way users obtain these skins could be considered immoral. Since the value of the skins obtainable from the case unlocked by the \$2.50 key can vary so much, there is inherent risk in opening the cases. The chance to unlock a skin with a value of over \$100 it only 0.05% while the chance of losing money is on the unlock is over 85%. This follows the definition of gambling, which is “take risky action in the hope of a desired result.” In addition, when a user opens a case, a 5 second animation nearly identical to a slot machine is displayed showing the

user what they won. The addicting nature of opening the cases plus the chance of getting a cool item to show your friends has lead to Steam and Valve profits skyrocketing. It would be hard to argue that case opening isn't gambling and should be ruled illegal, but Steam has found ways to circumvent those laws.

The first way Steam dodges gambling laws is by requiring users to be 18 years old or over to play their game. However, the reality is the age limit is not enforced and this leads to many underaged players on the game. According to a survey of 10,475 Counter Strike players on a popular fan forum for the game, over 40% of them were under 18 years old. This leads to serious ethical questions, and the matter only gets more complicated when you factor in the addictive gambling aspect of the game. The impulsivity in children combined with their lack of understanding of money (specifically their parents credit card tied to their Steam account) has lead many children to spending hundreds or thousands of dollars on keys to unlock virtual weapon skins. The second defense that Steam uses is that the in game virtual items hold no real world value. This caveat is technically true since once money is deposited in your Steam wallet it cannot be withdrawn, only spent on other digital items. However, through the use of Steam's trading platform, many websites and allowing users to trade their virtual items for real money. One third party website doing just that is opskins.com, which allows users to buy and sell their items for real world money. It is estimates that opskins.com handles \$410,000 worth of skin transactions each month. It is simply irrefutable that these items do indeed hold real world value.

The same loopholes Steam found are being used by independent gambling websites to generate massive unregulated profits and further expose children to gambling. The largest of these third party gambling websites, csgolounge.com, allows users gamble their virtual skins on

professional Counter Strike matches. For example, if a user owns a weapon skin that can be sold for \$20 on the Steam market, they can wager it on a professional match using this website in hopes of getting a \$40 item returned if they win. Professional video game matches is a growing market and the gambling market is growing with it. This year, a single professional counter strike match drew in \$1.2 billion in bets. According to the website valuation website worthofweb.com, csgolounge.com is bringing in a estimated revenue of \$218,000 month, just by taking a small percentage of the skins users are betting on matches.

Clearly, video game gambling is not very distinguishable from any other form gambling. Whether it's spinning a slot machine in hopes of a jackpot versus opening a case in hopes of a rare and valuable weapon skin, or putting cash down on a football game versus wagering virtual items on a professional video game match, the two are clearly the same in principle. However, the two are not subject to the same laws and this is allowing gambling addictions to form amongst kids and serious financial trouble for some bettors. When analyzing the problem in search of a solution, it's clear where the problem lies. Although Steam and Valve certainly know their methods are created a dangerous environment and they are most likely acting unethically, the real fault is in the hands of lawmakers. Despite the growing market of e-sports, it's still apart of a subculture that most of the mainstream has never heard of, and that includes those in charge of passing laws for our government. My proposed law change is a set of provisions for existing gambling law that specifies rules for video game gambling:

1st provision: Virtual items do hold value if they can be bought or sold in any peer-to-peer economy, whether that economy is private or virtual.

2nd provision: If a video game offers in game purchases of virtual items in an intrinsically risky way, or any other way that resembles gambling, the publisher must require photo evidence of a valid ID proving legal gambling age before purchasing.

The first provision states that virtual items do indeed hold real world value so that they can be covered by existing state gambling laws. In our Counter Strike example, virtual weapon skins would now hold real world value since they can be exchanged in the Steam market economy, and state governments can force regulation on third party gambling websites. The second provision requires a much stricter proof of age requirements if a game contains gambling like mechanics for in-game purchases. In our Counter Strike example, users must provide photo ID proof that they are of over gambling age to buy keys to unlock cases. These law changes would stop children from gambling away real money in video games and forming gambling addictions before it becomes a bigger problem than it already is.

Works Cited

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