

Thank you for this opportunity to consider the Socio-Economic impacts of gambling and internet gambling specifically.

I am sorry that more could not have joined us today. Unfortunately, they did not have the time to rearrange their schedules. Many with whom I spoke expressed interest in offering testimony at this hearing.

I did speak with:

Dr. Fong of UCLA

Kent Woo, of the Chinese Community Task Force, in the San Francisco area

Dr. Kooler, of the Friday Night Live Partnership, who has a gambling preventative program for youth called "Betting on Our Future"

Tom Tucker, of Compulsive Gambling Institute

There have been some inconsistencies in the testimony that we have heard so far.

We have heard that California will receive \$1 Billion over 10 years, and we have heard that the number will be between \$3-5 Billion over 10 years.

We have been told that there will be no new gamblers, and that the number will double or triple in 2 years.

We are told that we can stop all access to unlicensed sites, and that doing so might be a legal impossibility.

Today I plan to address the Socio-Economic impacts of gambling and the connection of internet gambling and will be referring to a number of studies to support my presentation.

First a quick overview:

Personal:

1. Stress
2. Depression and Anxiety
3. Suicide
4. Poor Health

Financial:

1. Financial Hardship
2. Debts
3. Asset Losses
4. Bankruptcies

Legal

1. Loan Sharks
2. Theft
3. Imprisonment

Interpersonal:

1. Domestic or other Violence
2. Relationship Breakdown
3. Impacts on others
4. Neglect of Family

Community Services

1. Burden on Public Service
2. Burden on Charities

Work and Study

1. Poor Performance
2. Absenteeism
3. Job Loss
4. Education Termination

Do we really have the ability to monitor and enforce the regulations regarding Internet Gambling?

Although there has been some testimony alluding to the abilities of operators to guarantee that there will be no underage users, that all of the players will be in California, that there are safeguards against “cheating”, that there will not be money laundering activities, and that this is both safe and benign, the Federal Bureau of Investigation has written a letter that disputes those statements.

Briefly:

Question: Does the technology exist that could facilitate undetectable manipulation of an online poker game?

Answer: Yes

Question: Could technology be used to illicitly transfer of launder money in the guise of “innocent” participation in an online poker game, or the undetectable theft of money from one participant in such a game, by others acting in concert?

Answer: Yes

Question: Do you believe the claims of vendors who say they have technology solutions that would validate the age of a potential player or the physical location, beyond a shadow of a doubt?

Answer: No

Gambling in the Golden State

Pg 4/5

Estimated 589,000 adult problem gamblers and 333,000 adult pathological gamblers.

Nearly one million adults, costing nearly \$1 billion.

Estimated 436,000 youth problem gamblers and 159,900 youth pathological gamblers

2006 California Gambling Prevalence Survey

Pg 15 Gambling Availability and Prevalence Rates: Is There a Link?

Some forms of gambling have a particularly strong association with problem gambling, most notably those that are continuous in nature and involve an element of skill or perceived skill (e.g., electronic gaming machines and casino table games). General population prevalence surveys in a number of countries have found that people with preferences for, frequent involvement in, and substantial expenditures on these forms of gambling have a high probability of being a problem gambler.

Major reviews (e.g., Abbott & Volberg, 1999; Shaffer, Hall & Vander Bilt, 1997; Wildman, 1998) have, with varying degrees of qualification, concluded that research findings are generally consistent with the view that increased availability leads to more gambling and problem gambling.

National Gambling Impact Study Commission Report (Chapter 5)

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Pathological Gamblers are a group susceptible to problems with Internet Gambling.

Increase Risk Factors:

1. Accessibility – 24/7 from home, office dorm room, smart phone
2. High-speed instant gratification of Internet games
3. High level of privacy

These may exacerbate problem and pathological gambling.

Dr. Howard J. Shaffer (Harvard Medical School's Division of Addiction, likened the Internet to new delivery forms for addictive narcotics. (As smoking crack cocaine chanted the cocaine experience.)

Internet Gambling and Addiction

Dr. Howard J. Shaffer (Harvard Medical School, Division on Addiction)

Determinates:

1. Frequency of Use
2. Duration of action
3. Potency
4. Route of Administration (How played - Speed)
5. Player Attributes

Do no Harm

Policy makers and clinicians must avoid the possibility of inadvertently doing harm because they have not established empirically supported interventions for a problem with little construct validity.

Addiction Study from the University of Connecticut

Limited

Internet Gamblers rated 10.6% at level two and 15.4 % at level three

Arizona Office of Problem Gambling

“Internet gambling has shown itself to be just as addictive – if not more so – for some people than other forms of gambling.

Additionally, it is easy for young people to develop gambling problems through online gambling, because it is difficult for parents to know what their children are doing online at all times.

Statement of the National Council on Problem gambling regarding Current Internet Gambling Legislation

In a review of the 1,300 calls for immediate help, 106 clients (8%) reported that their primary problem was internet gambling. The predominant age of these individuals was aged 18-25.

YOUTH

A recent study by the Annenberg Foundation found that almost 600,000 youth (aged 14-22) reported gambling on the internet on a weekly basis, and this age group also has the highest rates of gambling problems.

Survey

California: 61% to 36% California voters reject the idea of legalizing internet poker in California.

National: 67% oppose changing the law to permit people to place bets over the internet.

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Industry Pressure and Political Influence

Arguably, the enormous profit margins inherent in legalized gambling activities can be attributable to gambling's addictive character. Pg 259

A disproportionate percentage of the gambling industry's revenue comes for pathological and problem gamblers. Pg 259

Legalized gambling is inherently monopolistic with regard to the rest of the economy. "Because the nature of gambling requires government oversight and restriction (the limitation of competition) it is an industry that offers artificially high profits for the few fortunate enough to be licensed." Pg 259

Grinols, supra note 49.

Another equally problematic aspect of casino-interest money could be found in its lobbying power. Pg 260

In Congressional hearings before the U.S. Committee on the Judiciary, Representative Frank Wolf voiced his concern "that the flood of casino money into the states would drown out the voices of ordinary citizens, and overwhelm state public officials."

Congressional Gambling Hearing 1995, supra note 32, at 19.

Destructive Economic Policies in the Age of Terrorism: Government-Sanctioned Gambling as Encouraging Trans- boundary Economic Raiding and Destabilizing National and International Economies

John Warren Kindt and Anne E. C. Brynn

“Government-sanctioned gambling is economically and politically destabilizing.” Pg 243

“Government-Sanctioned gambling encourages trans-boundary economic raiding and destabilized national and international economies.” Pg 244

By 2000, the \$61.4 Billion in gross revenues of the U.S. gambling industry nearly doubled the combined revenues of the entire U.S. sports, movie, music, and theme-park industries. Pg 245

Gambling destabilizes economies due to negative externalities in the form of gambling addictions, bankruptcies, crime, and corruption. Pg 245

As quantified by reports delimited this analysis, the socio-economic costs of legalized gambling far outweigh any possible benefits that it could bring to any economy. Pg 245

Destructive Economic Policies in the Age of Terrorism:

New Addicted Gamblers Caused by Government Policies

New government-sponsored gambling creates substantial numbers of new pathological and problem gamblers. Pg 246

12. *See* Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Div. on Addictions, Harvard Medical School, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-Analysis* 43, Tables 13, 16, & 51 (1997) [hereinafter *Harvard Addictions Meta-Analysis*]; Press Release, Harvard Medical School, *Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America* (Dec. 4, 1997) (finding that from 0.84 percent, “the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population”).

Addictions to gambling not only weaken society as a whole, but impose a great burden on both gamblers and non-gamblers alike in the form of increased taxes, based on social costs running into the billions of dollars per year. Pg 246

14. Am. Med. Assoc., *House of Delegates Resolution 430 (A-94)* (1994).

New Bankruptcies Caused by Government-sponsored Gambling

According to a 1997 study sponsored by the U.S. banking industry, it was established that a significant relationship exists between legalizing gambling and causing new bankruptcies. Pg 246

SMR RES. CORP., THE PERSONAL BANKRUPTCY CRISIS 1997 (1997)

Destructive Economic Policies in the Age of Terrorism:

Quote from the National Gambling Impact Study:

“There should be a pause in the expansion of gambling, and it should perhaps be even be prohibited” pg 248

NGISC FINAL REPORT, *supra* note 19, at 1-7.

Why Governments Legalize Gambling

Historically Representatives described gambling as a tool for economic development that created new jobs for depressed regional economies, and proponents of gambling argued for its legalization by promising new tax revenues for various government units struggling to find funding. Pg 257

Not much has changed!

A basic concept usually ignored in gambling-financed studies was the utilization of valid “before and after” data, because such studies almost invariably reflected unfavorably on gambling activities. Pg 257

An analysis of Illinois employment statistics taken before and after the widespread legalization of casino gambling confirmed that little, if any, growth was directly attributable to the new industry. Pg 257

Gambling transferred money from one local pocket to another and from one sector to another, gambling did not lead to a net increase. Pg 257

Three things necessary for economic growth: pg 257

1. Attract buyers from outside the area, thus enlarging the local economy.
2. The revenue generated from outside the area was spent in the host jurisdiction
3. The employees live in the host area.

All three conditions must be met for economic and job growth

Policy Brief

By Joseph Day

National Gambling Impact Study Commission reported that for every \$1 collected from the casino, the state spends \$3 to deal with the problems it creates.

National Gambling Impact Study Commission: “no economic benefit to either a place or person was advanced by proponents of convenience gambling: and that

“The Commission strongly urges those in a position of responsibility to move aggressively to reduce the occurrence of this malady in the general population.”

Destructive Economic Policies in the Age of Terrorism:

Internet Economic Cannibalization

“If not prohibited by U.N.-sponsored and general multilateral treaties, internet gambling will eventually destroy global economic stability. Addiction rates associated with gambling exists in proportion to the speed of the gambling activity. Pg 273

Mega-Lawsuits, supra note 11, at 26-28.

Policy Alternatives and Recommendations pg 277

The inherently addictive nature of gambling activities makes it an untenable burden on society.

Strategic cost-benefit analysis shows that gambling is a no-win proposition for the United States and for the world.

The congress should also recognize that legalizing gambling activities falls far short of maximizing the “Public health, safety and welfare” of U.S. citizens and should legislate nationally on the issue.

Until they do we in California should.

National Gambling Impact Study Commission Report (Chapter 5)

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Recommendations of the Commission

5.1 The Federal Government should prohibit, without allowing new exemptions or the expansion of existing federal exemptions to other jurisdictions, Internet gambling not already authorized within the United States.

5.3 . . . that states not permit the expansion of gambling into homes through technology

5.4 . . . the federal government should take steps to encourage or enable foreign governments not to harbor Internet gambling organizations that prey on U.S. citizens.