

Legalizing online gambling bad bet for lame-duck Congress: expert

December 7 2010

The lame-duck Congress may be the last chance for the current Democratic majority to slip through legislation legalizing online gambling, a move that could have dire consequences for communities and the economy, a leading national gambling critic warns.

Although much of the talk on Capitol Hill revolves around Bush-era tax cuts and reducing the deficit, University of Illinois business professor John W. Kindt says don't be surprised if a bill legalizing online gambling is floated by outgoing House Democrats under the auspices of revenue generation.

"The Unlawful Internet Gambling Enforcement Act, which increased the sanctions against outlawed online gambling, was passed just prior to the Republican lame-duck session of 2006," said Kindt, a professor of business and legal policy at the U. of I. "Some of the most vocal advocates for the legalization of online gambling don't like the 2006 law, and would like to see it repealed before the Republicans take control of the House in January."

The most influential pro-gambling voice on the Hill is Rep. Barney Frank, the Massachusetts Democrat who chairs the House Financial Service Committee. In the search for untapped revenue streams, Frank and other lame-duck Democrats have been pitching the idea of legalizing online gambling in order to tax what could potentially be tens of billions of dollars in revenue.

"Barney Frank is going to try and run the table on every piece of gambling-related legislation he can push through before he loses his supermajority," said Kindt, who has studied gambling for more than two decades.

Frank, who is not a fan of the Unlawful Internet Gambling Enforcement Act, has been pro-gambling for 20 years, seeing it as a personal freedom issue. The danger in that perspective is that it discounts the social and [economic consequences](#) of legalized gambling that everyone will ultimately bear, Kindt says.

"Frank would argue that it's just fun and games, and we'll tax people a little and get a billion dollars out of it," he said. "But it would further destabilize our financial system, so obviously it's not just fun and games."

The social costs include an increase in personal and professional bankruptcies, up anywhere from 18 to 42 percent, as well as an increase in crime by at least 10 percent, Kindt maintains.

"Legalizing online gambling is basically creating a huge social problem where none existed before," Kindt said. "All of these social consequences create huge demands on states and municipalities. In particular, social services and law enforcement really suffer."

Kindt, the senior editor of "The United States International Gambling Report Series," a multi-volume collection that focuses on the societal, business and economic impacts of decriminalizing gambling activities, says gambling also cannibalizes from the consumer economy by taking money out of consumers' pocketbooks.

"In high gambling areas, people buy at least 10 percent less food and 20 percent less clothing, because they're raiding their bank accounts in

order to gamble," Kindt said. "The banks are losing liquidity and money while children are losing food and clothing, and their parents are going broke."

One key component of the Unlawful Internet Gambling Enforcement Act was that it increased enforcement mechanisms against illegal online gambling, allowing the Justice Department and FBI to target companies based outside the U.S. who use offshore servers to run the gambling sites.

But any new legislation to legalize online gambling could potentially turn every computer that connects to the Internet – whether it's in a home, workplace or school – into a virtual casino, Kindt says. And with the number of Internet-enabled smart phones exploding in the marketplace since 2006, it also has the potential to turn every BlackBerry and iPhone into a "mobile casino."

"The ability to put a gambling or casino app on a smart phone would be a recipe for economic disaster," Kindt said. "That would truly be a killer app, because the number of personal bankruptcies and people addicted to gambling would just absolutely soar. If we want to reduce our deficit, we need economic recovery, which means we need people buying goods and services. That's not going to happen if people are dumping their money into online gambling apps."

When people buy more durable goods, there's an economic multiplier effect of about a factor of three, Kindt says. Gambling, on the other hand, shrinks the economy at the cost of \$5 for every dollar in benefits of tax revenue.

"When people buy consumer goods – cars, refrigerators, computers – that helps the economy, which translates into more jobs," he said. "With [gambling](#), it's like reverse pump priming in that it takes money out of

consumers' hands."

More information: Kindt recently published "The Gambling Threat to Economies and Financial Systems: Internet Gambling."

Provided by University of Illinois at Urbana-Champaign

Citation: Legalizing online gambling bad bet for lame-duck Congress: expert (2010, December 7)
retrieved 17 April 2024 from

<https://phys.org/news/2010-12-legalizing-online-gambling-bad-lame-duck.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.