

7-21-10, Bachus: After The Talk Of Shutting Down Betting on Wall Street, Democrats Move To Open Casinos In Every Home, Dorm Room

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WASHINGTON - Financial Services Committee Ranking Member Spencer Bachus made the following statement during a committee hearing on H.R. 2267.

"The timing of today's hearing on Chairman Frank's proposal to legalize gambling over the Internet strikes some of us as ironic, to say the least. After all the talk during the last year about shutting down the casinos on Wall Street, it does not make any sense to me why we would be taking steps to open casinos in every home, dorm room, library, iPod, Blackberry, iPad and computer in America.

"This morning, President Obama signed legislation whose proponents claim will protect consumers from unwise financial decisions and from predatory practices by financial institutions. This afternoon, this Committee is considering the merits of a bill that will fleece Americans by reversing current restrictions on Internet gambling, which is perhaps the ultimate example of Americans making unwise and harmful financial choices. It seems that Democrats' solicitude for the well-being and protection of American consumers has its limits.

"As we all know, Chairman Frank is leading the effort to legalize Internet gambling and is promoting a plan to tax online wagering and regulate it at the Treasury Department. For more than a decade, I have worked to deter - not promote - illegal Internet gambling, and to ensure that current regulations, which are far stronger than any offered in this bill, are fully enforced.

"Internet gambling's characteristics are vastly different than those of other forms of gambling: online players can gamble 24 hours a day from home; children may play without sufficient age verification; and betting with a credit card can undercut a player's perception of the value of cash, leading to addiction, bankruptcy and crime. Young people are particularly at risk because when you put a computer in the bedroom or dorm room of a young person, the temptation is too great for many of them to resist. John Kindt, Professor of Business Administration at the University of Illinois calls Internet gambling "the crack cocaine" of betting and says: "It's 'click the mouse, lose your house.'"

"Since this Congress took action in 2006 to address the scourge of Internet gambling, offshore gaming interests have been relentless in their campaign to repeal the law, or at least, to undermine it. Lots of these groups have innocuous names like, "The Safe and Secure Internet Gambling Initiative." But in spite of their names, these are large corporate interests that are protecting their bottom line at the expense of addiction and destruction to our homes and communities. That is why it makes no sense to me how the same Democrats who claim they are protecting consumers by further regulating Wall Street can say with a straight face that unleashing Internet gambling will keep kids from becoming Internet gamblers.

"Finally, I want to make a point about revenues. Last October, in response to a request from Rep. McDermott, who has introduced companion legislation to H.R. 2267 to tax Internet gambling, the Joint Committee on Taxation produced four different revenue estimates of the revenue-generating potential of the two bills. The Committee concluded that the amount of those revenues depends almost entirely on the federal preemption made possible by H.R. 2267.

"H.R. 2267 does provide a restrictive opt-out mechanism through which the States may decline to participate in the Federal licensing system. However, the Joint Committee on Taxation's most expansive of four different estimates -- \$42 billion -- is based on discarding even these State opt-out rights in favor of complete federal preemption. In that estimate, the Joint Committee explicitly assumed that "no State or tribal government will be permitted to limit federally licensed Internet gambling operators from providing online gambling services in their jurisdictions." In other words, the McDermott bill will generate \$42 billion only if H.R. 2267's opt-out procedure -- its principal provision for preserving the States' ability to protect their citizens against the harms that flow from gambling over the Internet -- is eviscerated. The Joint Committee on Taxation estimate that is most closely based on the texts of the Frank and McDermott bills indicates that they will generate just \$10 billion in Federal revenue. That wouldn't even pay for half of the funding needed for Chairman Frank's so-called Wall Street reform bill.

"This rush to embrace Internet casino gambling seems at least partially motivated by the Majority's desperate search for more revenue to pay for an ever-bigger Federal government. I ask my colleagues: how does raking in cash from gambling addicts differ from taking a cut from the heroin sold to drug addicts? Is the logic that if we don't, somebody else will? I'm sorry, but the Federal government should not take advantage of the young, the weak and the vulnerable in the name of new revenues to cover more government spending.

"Considering that the social and economic harm done to America's families and to young people from unlawful Internet gambling is well-documented, I ask: is addicting the Federal government to Internet gambling taxes really worth it? This new legislation would create a Federal right to gamble that has never existed in our country's history, allowing gamblers to place bets not only on their home computers, but also from their Blackberries as they drive home from work or their iPhones as they wait in line at the grocery store. No amount of regulation can begin to protect against this particularly predatory intrusion into American homes.

"Mr. Chairman, I strongly oppose the bill and will do everything in my power to stop it."

