



**PREPARED TESTIMONY OF THOMAS E. McCLUSKY**  
**before the**  
**HOUSE JUDICIARY COMMITTEE**  
**November 14, 2007**

Thank you, Mr. Chairman, and all the distinguished Members of the Committee for allowing me to testify today. Part of me was also hoping that former Senator Al D'Amato, the well-paid lobbyist for the Pokers Players Alliance would join us here today. In one of those odd twists of fate the Senator used to play poker with my Dad many years ago when they were at Syracuse University together.

However, what the Senator and his colleagues lobby for today is very different from the mostly innocent gambling they did back in their youth. In lobbying for legislation such as Congressman Frank's bill, H.R. 2046, which seeks to overturn federal and state laws in relation to Internet gambling, and H.R. 2610, sponsored by Representative Robert Wexler (D-FL), which seeks to carve out an exemption for online poker, they seek to open up a Pandora's Box of consequences. Adoption of these bills will lead to anonymous corruption, the dissolution of families, and the disruption of today's delicate negotiations between the United States and other countries, notably the United Kingdom and Antigua.

There are many reasons why Congress decided to take a look at Internet gambling, and it was only after continued prodding from a unique coalition that Congress finally passed the Unlawful Internet Gambling Enforcement Act of 2006. This coalition's members represented a wide range of support not only from organizations like Family Research Council and Eagle Forum and a host of state family groups, but also from religious organizations such as the United Methodists, Southern Baptists and the National Council of Churches. Every major sports association and many major financial organizations including the American Bankers Association also supported the legislation. They were joined by the National Association of Attorneys General, the National District Attorneys Association, and the Fraternal Order of Police. This deep and diverse support on the federal and state level contributed to a version of the Unlawful Internet Gambling Enforcement Act passing Congress in July of 2006 with a vote of 317-93, and it persuaded the Senate to include the bill in the SAFE Port Act.

Clearly this bill was not some fly-by-night piece of legislation but a well- thought-out measure that was years in the making. For the answer to why such a large and diverse group would gather in support of the UGIEA, one need only look at the National Gambling Impact Study Commission, which was created by Congress in 1996 and issued its final report in 1999. The Commission documented the grave toll gambling takes on society. The report estimated that lifetime costs of gambling (including bankruptcy, arrests, imprisonment, legal fees for divorce, etc.) amounted to \$10,550 per pathological gambler, and \$5,130 per problem gambler. With those figures, it calculated that the aggregate annual costs of pathological gambling caused by the factors cited above were approximately \$5 billion, in addition to \$40 billion in estimated lifetime costs.

This financial cost to gamblers in turn affects their families. The report continues that "many families of pathological gamblers suffer from a variety of financial, physical, and emotional problems, including divorce, domestic violence, child abuse and neglect, and a range of problems stemming from the severe financial hardship that commonly results from pathological gambling. Children of compulsive gamblers are more likely to engage in delinquent behaviors such as smoking, drinking, and using drugs, and have an increased risk of developing problem or pathological gambling themselves. As access to money becomes more limited, gamblers often resort to crime in order to pay debts, appease bookies, maintain appearances, and garner

more money to gamble."

The aforementioned concerns address gambling as a whole. When you add the anonymity of the Internet, the troubles caused by gambling increase exponentially. The theft of credit card numbers from customers is a very real concern and it is much easier for gambling web sites to manipulate games than it is in the physical world of highly regulated casinos. Additionally, gambling on the Internet provides remote access, encrypted data and, most importantly, anonymity. Because of this, a money launderer need only deposit funds into an offshore account, use that money to gamble, lose a small amount of that money, and then cash out the remaining funds.

It is the uniqueness of the Internet when it comes to gambling that inspired Dr. Howard Shaffer, the director of Harvard Medical School's Division on Addiction Studies, to call Internet gambling the "crack cocaine of the Internet" due to the ease with which online gamblers can play from home. Online players can gamble 24 hours a day from home with no real sense of the losses they are incurring. Additionally, while many Internet gambling sites require gamblers to certify that they are of legal age, most make little or no attempt to verify the accuracy of the information. The intense use of the Internet by those under the age of 21 has led to concerns that they may be particularly susceptible to Internet gambling.

Problem gamblers between the ages of 18 and 25 lose an average of \$30,000 each year and rack up \$20,000 to \$25,000 in credit card debt, according to the California Council on Problem Gambling. In a health advisory issued by the American Psychiatric Association in 2001, ten percent to 15 percent of young people reported having experienced one or more significant problems related to gambling.

In September, the British Gambling Prevalence Survey 2007 was published by the National Centre for Social Research. This large, objective government study shows that Internet and electronic forms of gambling are far more addictive than traditional and social forms of gambling. Only 1-2% of Britons who play the lottery are problem gamblers. The study found that 1.7% of people who bet on horse races offline are problem gamblers, and the rate is about 3% for bingo and slot machines. But compare that with problem gambling rates for people who gamble on computers: 11% for fixed-odds betting terminals (similar to video poker or video lottery terminals in the U.S.), 12% for systems that take spread bets on outcomes ranging from sports to political races to stock prices, 6% for online betting with bookmakers, and 7.4% for other types of online betting, such as online poker. The data is unequivocal: gambling online is several times more addictive, and regulation of online gambling in Britain doesn't change this fact.

And before I get the question, the rate of problem gambling for "private betting," as in the case of my Dad and Senator D'Amato many years ago, is a much lower 2.3%.

In June of this year an aggrieved father, Pastor Greg Hogan, Sr., gave powerful testimony to the House Financial Services Committee on how his son, also named Greg -- a college student with a bright future ahead of him -- became addicted to online gambling. Mr. Hogan told the heartbreaking story of how his son became obsessed with playing poker online and, due to the ease with which it was offered to him (as it is offered to college students across the U.S.), Pastor Hogan's son soon found himself saddled with such deep losses that he turned to bank robbery to pay his debts. Now the main debt Greg Hogan, Jr. is paying is to society in the form of a 20-year sentence in federal prison. What Greg Hogan, Jr. did was wrong and he is paying for it. However, his family and other families continue to suffer as those they love become obsessed with Internet gambling.

By passing the Unlawful Internet Gambling Enforcement Act of 2006 Congress was sending a strong message that it was willing both to protect states' prerogatives and to protect families. Even before the recent release of the Department of Treasury's regulations in connection with the UIGEA, Congress's efforts to combat unlawful Internet gambling showed immediate fruit.

A recent National Annenberg Survey Center study found that the number of college students who gambled in 2006 fell by 70 percent the next year, following the passage

of the UIGEA. The new law restricts banks from transferring funds to Internet gambling sites, all of which operate outside the U.S., so many sites closed as a result.

According to Pokersitescout.com, a web site dedicated to web statistics for online gambling sites, a number of the online gambling operators have stopped accepting bets from players identified to be in the United States and the overall use of these sites has dropped drastically. These losses for online gambling sites are victories for American families; it would be a shame if this Congress decided to reverse the rare strong bipartisanship and rapid progress that have been shown on this important issue.

As I can picture my Dad saying to former Senator D'Amato and the questionable alliance behind him, when you have the law, the states, financial institutions, religious and family organizations, and an array of law enforcement agencies against you - it is time to fold your cards and go home.