

Four Reasons Why Commercialized Sports Betting Is Counter-Productive for States

SUMMARY

Public officials and opinion leaders of all political stripes who profess a desire to improve opportunity and alleviate poverty often lament how few levers they have to pull. Saving is the road to wealth creation yet around **50% of the U.S. population has zero or negative net wealth.**¹ At the same time **Americans were expected to lose \$118 billion of their personal wealth to government-sanctioned gambling in 2018.**² Over the next eight years, **the American people are on a collision course to lose more than \$1 trillion of their personal wealth to government-sanctioned gambling.**³ **If approved, commercialized sports betting will make these financial losses even worse.**

To improve opportunity and increase mobility out of poverty, state officials must stop turning millions of people who are small earners, who could be small savers, into habitual bettors.

THE FACTS

1) Commercialized Sports Gambling Is a Form of Financial Fraud That Results in Life-Changing Financial Losses for Millions of Americans

□ **What separates commercialized gambling from every other business is it's a big con game based on financial fraud and exploitation.** *One definition of gambling is "The majority always loses."* Citizens are conned into thinking they can win money on games that are designed to get them fleeced in the end. If you pay for a hamburger, a movie ticket, or a glass of wine, that's what you receive in return. In commercialized gambling, what you receive *is a financial exchange offering the lure that you might win money.* But this financial exchange is mathematically rigged against you so inevitably you will lose your money in the end, especially if you keep gambling. They make you feel good about losing your money.

¹ The Quarterly Journal of Economics, Emmanuel Saez and Gabriel Zucman, Vol. 1, May 2016, Issue 2, Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data, Pg. 554. <http://gabriel-zucman.eu/files/SaezZucman2016QJE.pdf>

² "This is how much Americans lost on state-sanctioned gambling last year," Quentin Fottrell of *MarketWatch*, published by Dow Jones Media, May 15, 2018. <https://www.marketwatch.com/story/this-is-how-much-americans-lost-on-state-sanctioned-gambling-last-year-2018-05-15>

³ H2 Gambling Capital, 2018 <https://h2gc.com/>

□ **Making a bet with a friend, that's one thing, but if you do it against a sportsbook, you're going to lose money all the time.** An *ESPN* journalist who covers sports gambling told an Ohio newspaper: "There was a study in Australia of the accounts at a major bookmaker. **Out of 500,000 accounts, only 50 individuals were found to be profitable.**"⁴

□ **If you *try to win*, the bookmakers *don't let you place bets anymore*.** An *ESPN* story recently highlighted that bookmakers are severely restricting or closing accounts for the very fact that these people are winning!⁵

□ Commercialized sports gambling damages more than just a person's financial well-being, it also damages their health. In a survey of nearly 10,000 adults in Massachusetts, **sports bettors had higher rates of problem gambling — 5.7 percent — compared with adults who bet at casinos, bought lottery and raffle tickets or made private bets.**⁶

□ **Gamblers who bet online had even higher problem gambling rates, 18.2 percent.**⁷

⁴ "Everything you need to know about betting on Ohio State in 2016," Interview with ESPN Chalk's David Purdum, *Land Grant Holy Land*, Aug. 31, 2016 <http://www.landgrantholyland.com/2016/8/31/12689280/espn-david-purdum-interview-2016-ohio-state-heisman-odds-betting-trends>

⁵ "Won and done? Sportsbooks banning the smart money," David Purdum of *ESPN*, August 30, 2018 http://www.espn.com/chalk/story/_/id/24425026/gambling-bookmakers-growing-us-legal-betting-market-allowed-ban-bettors

⁶ Rachel A. Volberg et al., *Gambling and Problem Gambling in Massachusetts: Results of a Baseline Population Survey*, 52 *University of Massachusetts School of Public Health and Health Sciences* (May 28, 2015), http://www.umass.edu/seigma/sites/default/files/SEIGMA%20Baseline%20Survey%20Report_Final.pdf.

⁷ *Ibid*

□ **These addicted online gamblers are the main source of profits.** According to a major UK report, **online gambling operators *make more than half of their profits from at risk and problem gamblers.***⁸

□ **These online gamblers get caught up into significant financial debt.** One of the few countries that has legal sports gambling, Ireland, just issued its first ever national survey on gambling. **It found *three quarters of online gamblers have borrowed money or sold something in order to place a bet.***⁹

2) Commercialized Sports Betting Severely Harms Children and Will Radically Change the Way That Children Consume Sports

□ **Gambling ads and marketing ARE EVERYWHERE in regions with commercial sports gambling.** In the United Kingdom, where sports gambling is legal, **1 out of every 5 ads during a sporting event is a gambling ad.**¹⁰

□ But it's not only an endless blitz of TV and radio ads. A recent UK study found **more than 250 separate gambling advertisements on screen during the BBC's Match of the Day.** These were found on team uniforms emblazoned with the names of gambling companies on them; stadium and arena surfaces where continuous gambling ads surround the game itself; and pre-match and post-match interviews.¹¹

□ This marketing has devastating effects on young people: **450,000 children aged 11 to 16 bet regularly, more than those who have taken drugs, smoked or drunk alcohol,** according to the UK's Gambling Commission study.¹²

⁸ "Online Gambling: Addicted to Addiction," *ResPublica Report*, Aug. 17, 2018 <https://www.respublica.org.uk/our-work/publications/online-gambling-addicted-to-addiction/>

⁹"Most online gamblers bet using loans," *The Times*, Feb. 13, 2018, <https://www.thetimes.co.uk/article/most-online-gamblers-bet-using-loans-mfn3vfkjt>

¹⁰"Gambling adverts 'in 95% of TV matches'," *BBC News*, Oct. 23, 2017, <http://www.bbc.com/news/business-41693866> ¹¹Ibid.

¹²"Young People and Gambling," *UK Gambling Commission 2018 Report* <https://www.gamblingcommission.gov.uk/PDF/survey-data/Young-People-and-Gambling-2018-Report.pdf>

□ **75% of children as young as 8 could correctly recall a sports betting brand, repeatedly exposing them to harmful messages and advertisements about sports gambling**, according to a study by the Victorian Responsible Gambling Foundation.¹³

□ **The high frequency of marketing led them to believe gambling was central to playing and watching sports.**¹⁴

□ "Cash back" offers, a casino marketing practice to make the player feel better about losing by offering them a cash return on part of their wager, contributes to a perception by children that they could not lose from gambling.¹⁵

□ **The younger children start gambling, the more likely it is they will become habitual and problem gamblers, regardless whether they are from an urban or a suburban community.**¹⁶

□ When gambling operators lobby for sports gambling in 2019, **it means allowing gambling on almost any kind of contest** that you can imagine such as:

— **Betting on video games like Fortnite or eSports;**

— **In-play betting** which involves betting on a sporting event while that event is being played (i.e. bet the over/under on a punt; will the next pitch be a ball or strike; how many three pointers will Stephen Curry make in the second quarter; etc.)

— **Betting on pop culture events and TV programs** like the *Scripps Howard National Spelling Bee*, *The Bachelor* and *The Oscars*.

¹³"Child and parent recall of gambling sponsorship in Australian sport," *Victoria Responsible Gambling Foundation*, May 2016 https://www.responsiblegambling.vic.gov.au/__data/assets/pdf_file/0007/29860/Thomas_child_and_parent_recall_of_gambling_sponsorship_May_2016.pdf

¹⁴Ibid. ¹⁵Ibid

¹⁶"The Dangers of Youth Gambling Addiction," *New York Council on Problem Gambling, Know the Odds* http://knowtheodds.org/wp-content/uploads/2013/05/NYCPG_ebook_YouthGambling_052114.pdf

3) For the Majority Who Don't Gamble, You Pay Even If You Don't Play

Gambling lobbyists and some public officials continue to tout government-sanctioned gambling as a way to raise tax revenue. But history has shown repeatedly that this argument is either overstated or wrong. A 2016 national report by SUNY-Albany found that while states creating new revenue streams from gambling may see momentary bumps in tax income, **"the revenue returns deteriorate—and often quickly."**¹⁷

□ Beyond its obvious status as a budgetary shell game, **government-sanctioned gambling incurs major social costs that end up being footed by all taxpayers.** In

addition to targeting and exploiting [the financially desperate](#) and [cultivating addiction](#),¹⁸ ¹⁹ government-sanctioned gambling leads to [increases](#) in rates of personal bankruptcy and [provides new avenues](#) for crime and money laundering.^{20 21} **Gambling operators don't pay for the harms they cause families, businesses, and communities. Taxpayers do.**

□ All the citizens who don't gamble also pay another way. Government-sanctioned gambling lowers our national standard of living because it's a sterile transfer of money from millions of ordinary people's pockets into a small number of other people's pockets, producing nothing new and nothing of lasting value. **Its economic impact is similar to throwing your money on the street so someone else can pick it up – it redistributes wealth without creating it. Because this nonproductive activity nevertheless uses up time and resources, we experience a reduced national standard of living, a consequence that impacts all of us.**

¹⁷ Lucy Dadayan, *State Revenues from Gambling: Short-Term Relief, Long-Term Disappointment*, The Nelson A. Rockefeller Institute of Government (2016), http://www.rockinst.org/pdf/government_finance/2016-04-12-Blinken_Report_Three.pdf

¹⁸ Cornell Univ. Professor David Just, "The big swindle: In lotteries, the poor are the biggest losers," *CNN*, Dec. 18, 2013 <https://www.cnn.com/2013/12/18/opinion/lottery-poor-just-opinion/index.html>

¹⁹ John Rosengren, "How Casinos Enable Gambling Addicts," *The Atlantic* (Dec. 2016)

<https://www.theatlantic.com/magazine/archive/2016/12/losing-it-all/505814/>

²⁰ *Social Costs of Problem Gambling*, Problem Gambling Research and Intervention Project, Georgia State University, <https://goo.gl/kgQv2>

²¹ Dr. Earl Grinols and Dr. David Mustard, *MIT Press, Review of Economics and Statistics*, Feb. 2006,

<https://www.mitpressjournals.org/doi/abs/10.1162/rest.2006.88.1.28?journalCode=rest>

4) Illegal Gambling Tends to *Increase* When States Legalize Gambling

□ The primary source of information for the size and scope of illegal sports gambling in the U.S. has been the American Gaming Association, the national lobbying organization for gambling operators *who have a vested financial interest in seeing commercialized gambling metastasize*.²²

□ When gambling operators call for "regulation," what they really mean is government granting monopolies and awarding regulatory advantages to favored firms.

□ If the illegal sports gambling operators supposedly cannot be controlled right now, as the big commercial gambling operators claim, then how can you control and regulate the gambling operators you license? If you can't shut down the illegal sports gambling operators now, how would you possibly shut down licensed operators who don't follow the rules?

□ There are a number of other reasons why illegal gambling tends to increase when states sanction gambling. These include:

— Untaxed illegal operators can offer better odds and tax avoidance that legal operations cannot.

— Once gamblers start betting legally, they become less averse to gambling in unlicensed venues and websites.

— Law enforcement in gambling states view illegal gambling as a state revenue issue rather than a criminal activity, making enforcement less of a priority.

²² “The American Gaming Association suggests that \$4.6 billion will be wagered illegally on the Eagles versus Patriots match-up,” *Inc Magazine*, Jan. 30, 2018 <https://www.inc.com/darren-heitner/billions-will-once-again-be-illegally-wagered-on-super-bowl.html>

□ Lastly, it’s revealing to contrast *government-sanctioned gambling operators* with *illegal gambling operators*. No illegal gambling operator is putting liens on the homes of citizens to collect gambling losses, like *legal* operators do. No illegal operator sends free gambling wagers by direct mail to your house to lure you back to the local casino, like *legal* operators do. No illegal operator is pushing \$30 lottery scratch tickets, seven days a week, in economically-depressed communities, like state lotteries do. No illegal operators are running gambling ads during live broadcasts of sporting events with such intensity that one out of every five ads is to place a bet, which is what some of the *legal* sports gambling operators maneuvering here in the U.S. do in places like the United Kingdom.²³ No illegal operator is sponsoring pro sports teams like the *legal* operators do in the U.K.²⁴

²³ “Gambling adverts ‘in 95% of TV matches,’” *BBC News*, Oct. 23, 2017, <http://www.bbc.com/news/business-41693866> ²⁴ *Ibid.*