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Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Financial Institutions and Consumer Credit

July 24, 2001

**H.R. 556, The Unlawful Internet Gambling Funding Prohibition Act and
Other Internet Gambling Proposals**

Thank you, Mr. Chairman. I commend you for calling today's hearing to consider legislative proposals to ban or limit Internet gambling. As Oversight and Investigations Subcommittee Chairwoman Kelly revealed at a July 12 hearing on this issue, the problems posed by Internet gambling in the current legal and regulatory arena are many. Attempting to address them legislatively goes way beyond what some have called "legislating personal responsibility" or, more directly, "protecting against one's own stupidity."

While it is true that people gamble by choice, the forums by which they may do so have—up until recent years—been strictly controlled, mostly by State law. If you wanted to invest your life savings in a game of Blackjack, or to try to leverage an inheritance from Grandma into a multi-million dollar windfall, you went to Las Vegas. Or, more recently, Atlantic City. Or, even more recently, to any of the several Indian tribal lands that have gotten into the gambling game. You bought a lottery ticket. You went to the racetrack. Each of those forums was—and still is—subject to government regulation.

Now, the landscape has changed. One need go no further than the family computer. Pour a shot of Jack Daniel's, log on, tune in and zone out—to paraphrase '60s drug guru Timothy Leary. Bingo! The whole world of online gambling is at your fingertips. No need to place a bet with the slick blackjack dealer you never really trusted anyway. Just enter your credit card number—and special 4-digit code—and maybe your social security number and mother's maiden name, and you're off into the wild, wonderful world of Internet gambling.

So, why should we care? Gambling's legal, right? Well—yes—but under limited and specific circumstances. As we learned at Mrs. Kelly's hearing earlier this month, *Internet* gambling—at least in its current state—*isn't* legal under a number of federal and state laws, although the precise legal status is murky. Hence, our hearings on the issue.

I am pleased to see the distinguished panel of members of both the House and Senate that we have before us today. I want to welcome my Committee colleague and former Chairman of the Banking and Financial Services Committee, Mr. Leach, who has had a long-standing interest in this issue, particularly with regard to the use of financial instruments in Internet gambling, and I look forward to his

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comments on that particular issue. I also want to welcome the gentleman from Virginia, Mr. Goodlatte, and the Senator from Arizona, Senator Kyl, both of whose efforts to protect our nation's most vulnerable citizens from the unscrupulous

activities of the offshore casino industry have been tireless—although those engaged in the online gambling business might say *tiresome*.

As I alluded to at Chairwoman Kelly's hearing, the Internet to many conjures up images of the Wild West—the frontier; new, unconquered horizons; seemingly unlimited potential. All well and good—to a point. But even the Wild West had a Marshall Dillon to keep order if things got out of hand. In the wild world of Internet gambling, there *is* no sheriff. As Mr. Suarez from the New Jersey Gaming Division told us all too clearly, the States are left to their own limited resources to stop abusive Internet gambling transactions where they can. Their ability to do so is further hampered by the international nature of the online gambling business.

As the testimony at our Oversight hearing brought out, the vast majority—indeed virtually *all*—of Internet gambling at present is conducted by so-called “virtual casinos” located offshore. While such sites may take offense at being labeled “unregulated” or “under-regulated,” the fact remains that even the best regulated foreign jurisdictions serve to protect the citizens of that country, *not* the citizen of the U.S. placing the bet. Who's to say what that casino in the Caymans is going to do with your credit card number? Who's to stop the odds on the Super Bowl from mysteriously shifting against you after you've placed your bet, or even after the game's been played?

Legislating against stupidity? Maybe. But those who make that argument often draw a parallel to the U.S. stock markets, where investors are free to lose large sums of money, if not the entire family fortune. The difference is that the stock market is *regulated*. Everyone plays by the same rules. With Internet gambling, there is no such assurance. The offshore site taking the bet is the one who truly *rules*.

I read recently where even the Walt Disney Company has launched a pay-to-play Internet site called *Skillgames*, offering prizes up to one million dollars—which the company adamantly claims does *not* constitute gambling since it involves games of skill. I'm sure that Joe Six-pack, with his twice-a-year trips to Vegas, might argue that his handsome blackjack winnings are due *solely* to skill—but this just serves to highlight the slippery slope we're on in this whole area. It's those types of *Mickey Mouse* distinctions that have led to the *Goofy* situation we now face in this area. We've gone from *Dodge City* to *Disneyland*, with a long layover in the Caribbean. Maybe *Pluto's* next.

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Saturday's Washington Post had a story about an obsolete aircraft carrier going around in circles in the Black Sea. It had been destined to become a "floating casino" in Macau, but has been prohibited by Turkish officials from going through the Bosphorous Strait because, "it is too big and too dangerous...." Some have offered a very similar excuse to urge Congress to keep its hands off Internet gambling. They hope to see us continue to go around in circles while the problem grows even bigger and even more dangerous—to our children, to our families and to problem gamblers.

Mr. Chairman, again I commend you for holding this hearing, and I look forward to the testimony as this Committee continues its trek to capture the *Pirates of the Caribbean* and establish some legitimate ground rules in the area of Internet gambling.

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