

Testimony of Congressman Barney Frank

before the Subcommittee on Commerce, Manufacturing, and Trade

“Internet Gaming: Regulating in an Online World.”

November 18, 2011

I am here today in support of licensing and regulating online gambling, primarily because I believe adults should be allowed to spend their own money as they see fit, free of governmental intrusion. And I also believe that licensing and regulation of internet gambling will provide real consumer protection in an area that is currently vulnerable.

In 2006, the Unlawful Internet Gambling Enforcement Act (UIGEA) was enacted, which restricted the use of the payments system for Americans who sought to gamble online. I believe that it is an inappropriate interference on the personal freedom of Americans, and should be undone. And the ban did not make consumers safe. On April 15 “Black Friday”, the owners of Full Tilt poker were arrested and

subsequently indicted by a federal grand jury for fraud and money laundering.

I voted against the ban in 2006 and for the past three Congresses, I have sought to reverse that ban. I introduced legislation – the first version in 2007 – and the latest iteration, which is identical to what Financial Services reported out last year on a bipartisan vote – is led this year by my colleague and friend John Campbell. This legislation is designed to protect consumers without restricting their freedom. I have always believed that it is a mistake to tell adults what to do with their own money. Some adults will spend their money foolishly, but it is not the purpose of the Federal Government to prevent them legally from doing it. We should ensure that they have appropriate consumer protections and information, but otherwise allow people to pursue activities that they enjoy which do not harm others. As John Stuart Mill said in his essay, *On Liberty* in 1869:

“The only freedom which deserves the name is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it. Each is the proper guardian of his own health, whether bodily, or mental or spiritual. Mankind are greater gainers by suffering each other to live as seems good to themselves, than by compelling each to live as seems good to the rest.”

I have also been very pleased to have strong support for this legislation from the Chairman of the Homeland Security Committee, Peter King, whose concern for public policies that protect us against terrorism is well known to many of us. His support for this effort is very important.

We believe that the legislation should be open to all operators – those who want to get into the business and can pass a rigorous background

check and comply with all of the regulations should be able to do so.

Under our bill, any suitable person seeking to operate an Internet gambling may submit to a background investigation and apply for a license. I believe that having an open market fosters competition, promotes fairness, creates American jobs and is in the best interest of consumers.

I also strongly support, and am a cosponsor of Mr. Barton's internet poker bill, HR 2366, which is quite similar to our legislation in many respects, though it is limited to poker only. I look forward to continuing to work with him and the rest of the Committee as you consider these issues.

American consumers who wish to gamble online are currently without rigorous and consistent safeguards against fraud, identity theft, underage and problem gambling and money laundering. Some operators adhere to rigorous regulatory regimes in foreign jurisdictions, but U.S. customers have no local recourse if they have a problem. We need to

ensure that we protect American consumers by requiring that user funds are not commingled with operating funds, and obey strict regulatory protocols against fraud and cheating, with constantly updated standards, and audit requirements to ensure both the fairness of games and the soundness of financial operations.

One argument against online gambling is that there are some people, including compulsive gamblers, who should not gamble. I do not agree that just because some people should not engage in a behavior that it should be prevented for all. But I do believe that we should ensure that self exclusion protocols, gambling limits, and other anti-compulsive measures are required – which can be done even more effectively online than in the brick and mortar world. Moreover, I am a cosponsor of HR 2334, Congressman Wolf and Congressman Moran’s bill to establish and implement programs for the prevention, treatment, and research of pathological and other problem gambling. I have been a cosponsor of this legislation for several Congresses – including its predecessor bill,

proposed by my former Massachusetts colleague, Marty Meehan. I also believe that this legislation should be made a part of any eventual package, and that its work should be funded out of a part of the revenue stream that is garnered from the tax provisions.

The tax provisions, which are contained in separate legislation authored by Congressman McDermott, have been jointly scored (along with the implementing legislation), and they should garner more than 42 billion dollars over ten years. Billions of dollars in taxes – both under existing law and those that would be established under Mr. McDermott’s bill – currently remain uncollected in this area. And the revenue and jobs from this sector have been created overseas, due to the ban, rather than benefiting Americans.

Enacting legislation to license, regulate, and tax online gambling as well as implement problem gambling programs, would bring this industry out of the shadows, benefit consumers, create American jobs, capture

revenue and allow adults to enjoy freedom from unnecessary government interference.

I thank the committee for their consideration.

