

Testimony of Daniel Romer
Before the House Subcommittee on Commerce, Manufacturing, and Trade
U.S. House of Representatives

Hearing on
“Internet Gaming: Is There a Safe Bet?”

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Good morning Chairwoman Bono Mack, Ranking Member Waxman, and Members of the Committee.

Thank you for inviting me to present to you this morning. I am Dan Romer, Associate Director of The Annenberg Public Policy Center at the University of Pennsylvania (Penn) and the Director of its Adolescent Communication Institute (ACI). Since its founding in 2001 with a grant from Walter and Leonore Annenberg to the University, ACI has been studying the prevalence and consequences of gambling behavior of high school and college age youth in the US.

We became interested in this problem because it was a neglected area of study among researchers who have traditionally been more concerned about other youth problem behaviors, such as drug use, violence, early pregnancy, and sexually transmitted infections. In a book I edited concerning these problems, several gambling experts pointed to the widespread prevalence of gambling in youth and to the risks that this behavior creates.

Gambling often starts in adolescence and can lead to symptoms of addiction that are similar to the abuse of drugs. In research conducted with colleagues at Penn supported by the National Institute on Drug Abuse, we have found that gambling is one of the earliest and most prevalent forms of risk -taking that children engage in. Indeed, just as the age of onset of drug use predicts later drug dependence, there is reason to believe that early exposure to gambling can increase the risk of later dependence.

Since 2002, our center has annually conducted the National Annenberg Survey of Youth, the only national survey of youth ages 14 to 22 that systematically examines gambling activity. Over this time period, we have consistently found that large proportions of young people gamble on a regular basis (see Table 1). Indeed, about half of young males do so at least once a month. Most of this gambling is informal, organized by youth themselves. This includes such activities as poker games and sports betting. Other forms of gambling that attract young people are more formal, sponsored by states (such as lotteries) or private entities (e.g., casinos).

The rise of online gambling over the past 10 years presents new challenges, in part because it is currently sponsored by illegal entities outside the U.S., and therefore

falls outside of the protections that could be placed on this form of commerce. Despite various barriers erected by Congress (e.g., the Unlawful Internet Gambling Act of 2006) and enforcement activities by the federal government, the use of these sites continues. Indeed, our 2010 survey found that projected nationally, more than 400,000 male youth in the college age range (18-22) gambled for money once a week on the Internet and over 1.7 million did so once a month.

High school age youth also venture onto Internet gambling sites but less frequently. While about 12% of college-age male youth reported gambling on Internet sites at least once a month, only about 4.5% of high school age youth (ages 14-17) did so at the same rate. And the rate of weekly use was quite small (see Table 2). Nevertheless, unregulated access to such sites invites a number of harms that include not only the potential for developing symptoms of problem gambling, but also harms to the family that is likely to be paying for the adolescent's game playing.

Harmful effects appear to be especially problematic for card playing, since we find that adolescents and young adults engaging in this form of gambling tend to report higher rates of problems than for other forms of gambling. In particular, over half of adolescents who play cards weekly report being preoccupied by thoughts of gambling, and over 30% report experiencing loss of control when they play. If legalized online card playing were to come to the U.S., problems could be minimized were the government to require several safeguards to prevent users, especially youth, from abusing the opportunities that such sites afford for unlimited access to card playing.

Coping with the adverse effects of gambling on youth and their families

Experience in Europe and other countries that have legalized online gambling provides some guidance for how online gambling companies should be certified before they are allowed to operate in a country. The general principle surrounding these rules is to create incentives or regulations that increase the likelihood that the gambling that exists will be conducted responsibly; that is, permitting adults to enjoy gambling activity while also reducing the harms that might occur for vulnerable populations. So for example, gambling operators should not receive disproportionate income from users who are unable to control their gambling activity. Some of the ways that these general principals have been implemented include the following taken from the Nova Scotia Gaming Corporation.

Age Requirement

Given the potential for many adolescents to be attracted to gambling, it would be desirable to have an effective screening mechanism to prevent persons under a certain age from using the site. In Europe this age is most often 18. Here in the U.S., given age restrictions already in place, it is likely to be 21. One approach to enforcing age limits in Europe is to require the use of credit cards, which can be checked with the credit reporting agencies (e.g., Experian) to verify the age of the

owner. Unless a person uses a credit card (or other form of payment) that is verified as belonging to someone over the legal age, the person cannot obtain a user ID for the site. If the underage person uses a family member's card, then it is the responsibility of that family member to monitor the expenses incurred by gambling.

It may also be desirable to place age restrictions on the common practice of allowing users to play for free. Although research has not yet demonstrated harm from this practice, it is likely that it lures young people into trying to play with real money.

There are limits to what age restrictions can do to screen under-age users. Once an ID is licensed for use on a site, another person can use it. Nevertheless, this system at least requires that the owner of the payment method be of legal age.

It should be noted that this method of enforcing age requirements is no less subject to abuse than many state lotteries. In Pennsylvania for example, it is possible to buy a lottery ticket from a kiosk without any age restriction. These kiosks are now stationed in drug stores and other convenient locations. Indeed, we find that many youth under the age of 18 report buying lottery tickets on a regular basis.

Money and time limits

Online gambling also provides the opportunity to exert control over the gambling experience that is potentially less available at other gambling venues. It is possible to limit the amount of money that can be gambled on a site in any session or the amount of time that any player can stay on a site in one session. Pauses can be required after a certain amount of time to encourage the player to evaluate his/her gains or losses. A visible running tab can also be required to enable the player to see how much has been won or lost during a session.

A visible clock can also be required to time the length of any session so that the player is aware of the time that is being spent on the site. It also is possible to provide self-exclusion options that deny the player access to a site at certain times in the day or month (e.g., right after pay day).

Prevention messages

Any site that engages in responsible gambling should have messages that explain the rules of the game, the odds of winning, and how likely it is that players will win money on that game. Players should also be reminded that they should exercise self-control if they are on a losing streak. And messages about treatment or help to those who feel that they are losing control should be prominently displayed at all times.

Advertising and promotion

Companies that advertise their online gambling services should not target vulnerable populations, such as youth or gambling addicts. They should also not promise unlikely rewards or winnings. A monitoring system should be in place to check on these stipulations on a regular basis.

Funding for Research and Treatment

In the UK, several mechanisms have been created to receive funds from gambling operators for dispersal to approved treatment providers for those unable to control their gambling behavior (i.e., The Responsible Gambling Fund). In addition, the government requests funds from gambling firms to pay for research to understand the effects of online and other gambling sites on youth and other vulnerable populations. There is much we do not know about the risks of legalized gambling and any system that is created to limit the adverse effects will have flaws and opportunities for improvement. Research to evaluate the effectiveness of age and other restrictions will help to make them stronger.

Consistency across Gambling Sites

Current law permits the placing of online bets for horse racing. We find that some young people use these sites. A new regime of online licensing and control could bring all forms of online gambling under a single regulatory structure and eliminate inconsistencies in the current regulatory scheme for online gambling activity.

In conclusion, by controlling online gambling the federal government could minimize the harm that this activity can inflict on the young and their families and could also make the use of these sites safer for them. Additional research is needed to determine the best ways to implement such controls and to determine how best to protect children and other vulnerable populations from exploitation by gambling site operators.

Appendix

Table 1. Participation in various forms of gambling on a monthly basis among youth ages 14 to 22 in the U.S. from 2004 to 2008, National Annenberg Survey of Youth.

Table 2. Participation in various forms of gambling on a monthly basis among youth ages 14 to 22 in the U.S. in years 2008 and 2010, National Annenberg Survey of Youth.

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