

Opinion: More gambling opportunities not the answer

By Robert Reich

Anyone who says you can get rich through gambling is a fool or a knave. Multiply the size of the prize by your chance of winning it and you'll always get a number far lower than what you put into the pot. The only sure winners are the organizers – casino owners, state lotteries, and con artists of all kinds.

Organized gambling is a scam. And it particularly preys upon people with lower incomes – who assume they can't make it big any other way, who often find it hardest to assess the odds, and whose families can least afford to lose the money.

Yet America is now opening the floodgates.



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In December, the Department of Justice announced it was reversing its position that all Internet gambling was illegal. That decision is about to create a boom in online gambling. Expect high-stakes poker to be available on every work desk and mobile phone.

Meanwhile, states are increasingly dependent on revenues from casinos, lotteries, and the "Mega Millions" game (in which 42 states pool their grand prize) to partly refill state coffers.

Given who plays, this is one of the most regressive taxes in the nation. In the most recent Mega Millions game – whose winning tickets were drawn last week and whose jackpot rose to \$640 million – lottery ticket buyers shelled out some \$1.5 billion, most of which went to state governments.

And then there's the "Jumpstart Our Business Startups" or "JOBS" Act, which President Obama is expected to sign into law Thursday. It allows so-called "crowd funding" by which people whose net worth is less than \$100,000 can gamble away (invest) up to 5 percent of their annual incomes in any get-rich-quick scam (start-up) that any huckster (entrepreneur) may sell them.

Forget the usual investor disclosures or other protections. In the interest of "streamlining," Congress has streamlined the way to fraud. Although start-ups will have to market themselves through third-party portals approved by the Securities and Exchange Commission, this is like limiting Bernie Madoff to making pitches over the radio. The SEC can barely keep track of Wall Street let alone thousands of Internet portals. Small wonder SEC Chair Mary Schapiro has been one of most outspoken critics of bill.

The bill was sold to Congress as a way to promote jobs (note the acronym) on the supposition that small start-ups create huge numbers of them. Wrong. That assumption comes from research by the Kauffman Foundation, which counted as a "start-up job" every laid-off worker who morphed into an independent contractor.

I'm all in favor of more entrepreneurship, and it's good to give investors another way to participate in emerging companies. But this bill doesn't do nearly enough to protect the vulnerable.

America's capital market was already a giant casino. Why now turn the rest of America into one?

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