

Connecticut Council on Problem Gambling
47 Clapboard Hill Road, Suite 6 • Guilford, CT 06437

Telephone: 203-453-0138
Toll Free in CT, MA, RI: 888-789-7777
Toll Free, Confidential Helpline: 800-346-6238

Fax: 203-453-9142
E-Mail: CTNOBET@aol.com

Marvin A. Steinberg, Ph.D.
Executive Director

MEMO

TO: National Gambling Impact Study Commission

FROM: Marvin A. Steinberg, Ph.D.
Executive Director, Connecticut Council on Problem Gambling
Vice President and Secretary, National Council on Problem Gambling

RE: Gambling in the Financial Markets

DATE: April 13, 1998

I strongly recommend that the Commission include gambling in the financial markets as part of the domain of gambling to be investigated. While most people invest wisely in the stock market and other financial markets, some "investors" use the markets as a form of gambling and a segment of this group gamble out of control in the markets. Since the last time a federal commission assessed gambling in America in 1974, there has been a major expansion of both recreational gambling and financial markets investment, with proportionate increases of problem gambling in both areas.

Summarized below are additional key reasons the Commission should include financial markets gambling and problem gambling within its investigation:

1. One can conservatively buy a few shares in blue chip stock or engage in high risk gambling by buying many shares in an unknown "hot" stock one learned about only minutes ago. Therefore, one can engage in high risk gambling in the stock market through the simple purchase of stocks without having to trade in the high risk options and commodities markets.
2. The type of wagers carried out in the options and commodities markets are identical to those made in areas of recreational gambling:
 - a) 60% of 57 stock brokers surveyed agreed that the more speculative areas of the stock market (e.g., options and futures) are very similar to gambling in a casino.
 - b) A question in my survey of 29 attorneys specializing in securities law asked, "Is the level of risk in the more speculative areas of the market equivalent to the risk in casino gambling?" 62% responded "yes" and 38% responded "no". It is informative that 67% of those responding

38% responded "no". It is informative that 67% of those responding "yes" indicated that the risk is greater in the more speculative areas of the markets than in casino gambling.

- c) In England one can wager in the futures market either with a brokerage firm or with a legal bookmaker (who also takes bets on sporting events).
3. While some problem gamblers gamble only in the financial markets or only in recreational areas of gambling, many gamble simultaneously in both, or move from one to the other. Problem gamblers in the financial markets and in recreational areas report the same subjective experience and meet the same diagnostic criteria for pathological gambling when assessed by professionals.
4. Gamblers Anonymous literature describes investment in the financial markets as a form of gambling and members of Gamblers Anonymous are considered to be gambling if they are involved in the financial markets.
5. The negative impact of problem gambling in the markets is no less for individuals and families than problem gambling in recreational areas. However, problem gambling in the financial markets has more far reaching negative effects on the major financial institutions of our society than does recreational problem gambling.
6. Statewide prevalence studies of problem gambling typically include questions about both recreational and financial markets gambling, which indicates that leading researchers in this field view the financial markets as an area for gambling and problem gambling.
7. The Securities and Exchange Commission's (SEC) Office of Investor Education and Assistance has tentatively agreed to distribute upon request a pamphlet I have written on problem gambling in the financial markets. The forthcoming availability of this pamphlet to the public is an acknowledgment by the Federal Government that gambling in the financial markets not only occurs, but is an area of concern.

In summary, it is difficult to ignore or dismiss gambling and problem gambling in the financial markets given that the following groups view gambling and problem gambling in the financial markets and recreational areas of gambling as essentially the same kind of activity:

- 60% of a sample of stock brokers;
- 79% of a sample of securities attorneys;
- Some of the leading researchers in the field of problem gambling;
- Gamblers Anonymous;
- Reports of recovering compulsive gamblers who have gambled in both areas;
- Diagnoses of expert clinicians in the field of problem gambling.

To attempt to take stock of gambling in the United States and to not include gambling and problem gambling in the financial markets (in at least a subsection of the report) would be to significantly diminish the credibility of the massive effort. I urge the Commission to view its mandate as broad and inclusive rather than narrow and exclusively focused on recreational areas of gambling.