The Phyllis Schlafly Report

**Prediction Markets are Gambling on Steroids**

By John and Andy Schlafly

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Prediction markets have rapidly become a mega-billion-dollar industry of nationwide gambling through cell phones. These are online platforms where people bet on outcomes of almost any event, such as whether a team will win the Super Bowl, whereby the cost of the event contract is less than the amount paid out to those who guessed correctly.

This is gambling, and 20 red and blue states prohibit these bets on sports. Betting on elections has long been banned everywhere in the U.S. and, until 2005, in England, while nearly every state prohibits wagering by anyone under 21.

But new prediction markets bypass all of these sensible limitations, by accepting these bets on websites over the internet. On Tuesday the *Wall Street Journal* reported that the owner of the New York Stock Exchange, Intercontinental Exchange, has agreed to invest up to $2 billion in Polymarket, which is not even the largest company in this emerging market.

High school students, typically boys, are suddenly spending their time and their family's money by wagering in this manner and through "sportsbooks," which are apps on their phones. DraftKings and FanDuel, whose ads are pervasive, are two sportsbooks that pepper teenagers and everyone else with promotions and other enticements to gamble.

More than 2 million young men today are "NEET," which means Not in Employment, Education, or Training. Instead, many of them are betting weekly or daily on their favorite sports teams.

Once addicted, a gambler then wants to bet on any sporting event. Illustrating how powerful this addiction is, $31.7 million was wagered in Colorado on ping pong matches earlier this year, in January alone.

The *New York Times* reported on Sunday that companies, most notably Kalshi, are accepting billions of dollars in bets while bypassing state regulations that protect teenagers and athletes against this vice. Congress has failed to hold any hearings on this frenzied activity that seems likely to erupt in a major scandal between now and the midterm elections next year.

Online sports gambling is illegal in California and Texas, but Kalshi circumvents their state laws in taking bets from residents there. With millions wagered on individual performances in a game, known as prop bets, the incentive for corruption or intimidation of players by gamblers is severe.

Scandals have already appeared, signaling something worse that is yet to come. Major League Baseball has for three months been investigating two errant throws by a Cleveland Guardians starting pitcher that opened early innings this past summer, as a spike in bets on whether those pitches would be a “ball” or a “strike” was flagged.

Kalshi and other companies rushing into prediction markets insist that states cannot regulate it as states have long regulated sportsbooks and traditional gambling. Instead, Kalshi and others accept only the Commodity Futures Trading Commission (CFTC) as having authority over it.

But currently the CFTC has only one out of the five commissioners it is supposed to have: the Biden-appointed Caroline D. Pham. The traditional expertise of the CFTC is in regulating corn or wheat futures for farmers, not gambling on the Super Bowl and on individual performances within games.

In states that allow sports gambling, there are important limits such as New Jersey’s ban on bets on college games played within the State, and wagers on NJ college teams playing anywhere. This helps protect local college players against being pressured by gamblers to underperform.

Prediction markets ignore the 21-year-old age limit imposed by states on gambling. Litigation over the legality of prediction markets is pending in the U.S. Court of Appeals for the Third and Fourth Circuits, and in district court in Nevada, but changes are unfolding faster than courts are keeping up.

A Pew Research poll found 43% of adult Americans oppose sports betting for being harmful, while only 7% praise it. Allowing wagers on elections makes even less sense, particularly in the current climate of political violence.

Some Republicans fret about possible political repercussions from the ongoing partial government shutdown, but negative fallout from a corruption scandal or violence resulting from this gambling crisis could be worse. Twice before in American history there has been a public backlash against gambling such that it was prohibited after being allowed to flourish.

The ease of gambling on phones and the use of AI to exploit gambling proclivities make this vice more dangerous than ever before. Already in September $2.5 billion was wagered on NFL games in the prediction markets, while more than $10 billion in additional wagers were processed by sportsbooks.

Unlike sportsbooks and casinos, prediction markets do not pay any state gambling taxes, and there is no redeeming value to this activity. An estimated 90% of gamblers never seek any help for their addiction, so this is pure exploitation without any guardrail.

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