

# Lotteries in the United States: A Brief Overview

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## Addiction

Many regard lotteries as a relatively benign form of gambling. However, 43% of callers to the 1-800-GAMBLER national hotline (operated by the Council on Compulsive Gambling of New Jersey) indicated problems with lottery gambling. 1

## Advertising

State lotteries spent in excess of \$400 million on advertising and promotion costs in fiscal year 1997. 2 Much lottery advertising is misleading; some is downright dishonest. The *New Republic* offered one example: "Take a current Washington, D.C., lottery ad campaign for D.C. Daily Millions. The slogan is 'A Million a Day--Just Play.' D.C. Daily Millions would be more accurately titled D.C. Daily Thousands: no one has won more than \$5,000 in the history of the game."3 The same article also noted that lotteries typically advertise only the top prize, which can run into the tens of millions of dollars, and then give the odds of "winning" the lowest prize, often another lottery ticket.4 State lotteries are exempt from Federal Trade Commission truth-in-advertising standards.5

Duke University professors Charles Clotfelter and Philip Cook note six common tactics commonly used in lottery advertising:

- Overemphasize the chance of winning. In 70% of TV ads studied, those pictured playing the lottery won.
- Design games so as to disguise the true odds, as well as to give the impression of a greater possibility of winning.
- Ridicule doubters.
- Encourage the false notion that there is an element of skill in playing the lottery.
- Encourage players to minimize regret. Remind them of how bad they would feel if they missed playing the lottery on the day when their numbers "hit."
- Provide misleading information about the true odds, or don't provide any information at all.6

## Corruption

GTECH Corp., the world's largest supplier of lottery products and services which is involved in the operation of 28 U.S. state lotteries, has been hounded for years by allegations of corruption and improper practices. This February, a London jury found that GTECH chairman Guy Snowden attempted to bribe a competitor regarding the operation of Britain's National Lottery. Snowden subsequently resigned.7 8

A four-month investigation by *Fortune* magazine in late 1996 concluded: "Rare is the company that has faced as many allegations of baldly sleazy conduct as GTECH. Most recently, early this October, in a federal courtroom in Newark, New Jersey, the company's former national sales manager, 49-year-old J. David Smith, was convicted of orchestrating a kickback scheme using inflated payments to state-level political consultants. The conviction brought down a man who almost single-handedly led GTECH to its current position."9

## Educational Funding

Lotteries are often promoted as a way to boost school funding. Eighteen state lotteries earmark lottery revenues for education. However, according to a study by *Money* magazine, states without lotteries

actually spend a greater percentage of their budget on education. Further, since 1990, spending devoted to education has actually decreased in lottery states, while increasing in non-lottery states during the same period.<sup>10</sup>

After studying this same issue, two St. Mary's College (Notre Dame, Ind.) professors concluded: "Regardless of when or where the lottery operated, education spending declined once a state put a lottery into effect. ... This study indicates that states *without* lotteries actually maintain and increase their education spending more so than states *with* lotteries. ... Hence, citizens should recognize that claims that lotteries will improve education funding are likely to be as misleading as their odds of winning those lotteries are meager."<sup>11</sup>

### **Evolution of Lottery Games**

Lotteries have shifted noticeably in recent years toward games which more closely resemble casino-style gambling. Forms of lottery gambling such as video lottery terminals (VLTs) have proven to be highly addictive. Five years after the introduction of VLTs in Oregon, the number of weekly Gamblers Anonymous meetings in the state rose from 3 to more than 30.<sup>12</sup>

In South Dakota, the number of individuals seeking treatment for a gambling addiction dropped dramatically after a court-ordered temporary shutdown of VLTs in that state. Within days after the machines had been turned back on, the numbers of individuals seeking treatment rose sharply.<sup>13</sup>

### **Fate of Lottery Winners**

Even many of the "winners" of state lotteries end up losers in the long run. According to a 1997 *New York Post* article: "About once a month on average, a hapless millionaire winner of one of the 37 state lotteries goes bust and files for bankruptcy, experts say. That's the rags-to-rags fate of about one-third of all winners."<sup>14</sup>

Further, winning the lottery does not seem to satisfy the desire for riches. Duke University professors Clotfelter and Cook found that lottery jackpot winners substantially increased their spending on lottery tickets after winning.<sup>15</sup>

### **Heavy Play**

Clotfelter and Cook report that 10% of lottery players account for 50% of lottery purchases. The top 20% of players account for 65% of purchases.<sup>16</sup>

### **Marketing Practices**

There are some indications that lotteries use sophisticated marketing techniques to encourage reckless betting behavior. In July 1997, the *Rocky Mountain News* reported: "The Colorado Lottery is studying our brains to figure out ways to lure us into gambling. The lottery spent \$25,000 for a study called Mindsort to analyze the left and right sides of the human brain to understand how to manipulate player behavior. Officials say they aren't trying to hook people into playing the lottery. But page 15 of the Mindsort report ... describes certain people as less likely to begin playing, but 'once hooked, hooked.'"<sup>17</sup>

### **Poor**

Lotteries place a disproportionate tax burden on the poor. Examples abound:

- The 32 Colorado counties with the highest per-capita lottery sales all have per-capita income levels below the state average.<sup>18</sup>

- In New York, a *Newsday* study showed that those living in the most impoverished areas of the state spent eight times more of their income on lottery tickets than did those living in the most affluent sections.<sup>19</sup>
- The three poorest counties in New Mexico all rank among the state's top 10 counties in per-capita lottery sales. New Mexico's wealthiest county accounts for the fewest lottery ticket purchases per resident.<sup>20</sup>
- An Associated Press survey of Wisconsin lottery purchases found that residents living in the poorest neighborhoods in the state spent, on average, four times as much of their income on lottery tickets as did those in wealthier neighborhoods.<sup>21</sup>
- A University of Louisville study showed that Kentuckians with annual incomes less than \$15,000 spent \$9.23 per week on lottery tickets, while those earning above \$35,000 spent only \$7.36.<sup>22</sup>
- A Texas A&M study found that the lowest-income group of Texans, who earn only 2% of the state's total income, provide 10% of the lottery's revenue.<sup>23</sup>

Studies show that lottery play is more common among blacks and Hispanics than white, among laborers and service workers than advanced professionals, and among those without a high school degree than college graduates.<sup>24</sup>

### **Recruitment**

Clotfelter and Cook “conclude with considerable confidence that the lottery is a powerful recruiting device, which in 1974 was responsible for inducing about one-quarter of the adult population who would not otherwise have done so to participate in commercial gambling.”<sup>25</sup>

### **Targeting the Poor**

Many lotteries aggressively market to the poor. Following is an excerpt from an advertising plan for the Ohio SuperLotto game: “We recommend that promotional ‘pushes’ be targeted as early as possible in the month. Government benefits, payroll and Social Security payments are released on the first Tuesday of each calendar month. This, in effect, creates millions of additional, non-taxable dollars in the local economies of which the majority is disposable.”<sup>26</sup>

Some lottery advertisements are overt in their solicitation of the poor. Perhaps the most infamous example is the Illinois lottery advertisement in an impoverished Chicago neighborhood which read: “This could be your ticket out.”<sup>27</sup> Another advertising campaign in the 1980s by the Illinois lottery consisted of 40 billboards reading: “How to Get from Washington Boulevard to Easy Street.” Washington Boulevard, and other streets mentioned in these ads, are located in a very depressed westside Chicago neighborhood.<sup>28</sup>

In many states, such as Florida, lottery outlets are actually more concentrated in impoverished neighborhoods than wealthy ones.<sup>29</sup>

### **Work Ethic**

Harvard Professor of Government Michael J. Sandel writes: “With states hooked on (lottery) money, they have no choice but to continue to bombard their citizens, especially the most vulnerable ones, with a message at odds with the ethic of work, sacrifice and moral responsibility that sustains democratic life. This civic corruption is the gravest harm that lotteries bring. It degrades the public realm by casting the government as the purveyor of a perverse civic education.

To keep the money flowing, state governments across America must now use their authority and influence not to cultivate civic virtue but to peddle false hope. They must persuade their citizens that with a little luck they can escape the world of work to which only misfortune consigns them.”<sup>30</sup>

## Youth

Surveys in various states show that a high percentage of under-age adolescents play the lottery: Louisiana (32%)<sup>31</sup> Texas (34%)<sup>32</sup> and Connecticut (35%).<sup>33</sup>

Lottery retailers in many states are lax in enforcing age regulations. An experimental survey published in the *Journal of Gambling Studies* found that a 16-year-old girl was able to purchase a lottery ticket from 49 of 50 central Illinois lottery retailers at which she attempted to buy one.<sup>34</sup>

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## Endnotes

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