

Lottery Could Add to Budget Woes

by William Anderson, Ph.D.

Oklahomans may yet have an opportunity to put a stop to fraud, trickery, and dishonesty. No, you won't be voting on the status of the Enron Corporation. But you may get to decide whether or not you want the State of Oklahoma to run what in essence is a rigged con game.

Lottery supporters, of course, will not refer to the lottery as organized crime. No, they will use phrases like "better schools," "educational opportunities," "scholarships," and the like. No doubt, some editorial pages will be running overtime with hysterical denunciations of those folks who may think the lottery is a bad idea. But that does not change the fact that a state-run lottery is a true pig-in-a-poke.

Oftentimes, lottery opponents are Southern Baptists and other religious conservatives who highlight the negative effects of gambling. Baptists believe that gambling is a sin, and governments should not be endorsing sinful behavior. Thus, lottery campaigns are often portrayed in the press as a contest between "progressives" who want better schools and ignorant religious rubes who stand in the way of a better future for the state's children.

But one does not have to invoke the name of the Almighty to say that a lottery is a bad idea. One does not even have to believe that gambling is a sin to make a case against the state running such an operation. I would even support a lottery – provided the state also permitted private-sector lotteries to exist. But lottery proponents wish to give monopoly status to the government's scheme, and continue to make private lotteries (what law enforcement calls the "numbers rackets") illegal.

Here are three reasons why a lottery is a bad idea.

First, lotteries represent an insidious transfer of wealth from the poor to those who are better off. Every study that has been made on state lotteries demonstrates conclusively that most lottery players are in low-income brackets. Proof that state governments understand this is the placement of large numbers of lottery billboards in poor and minority neighborhoods. Those who run the lottery want to appeal to the "get rich quickly without working" mentality, and some advertisements have gone so far as to denigrate work as a way to a secure economic future.

For example, the largest number of HOPE Scholarship recipients in Georgia are middle- and upper-class whites, yet the money that comes to them is provided courtesy of lower-income minorities and whites, many of whom never could have afforded college themselves. Why would bleeding-heart liberals, who so much want governments to "tax the rich," go to the mat for a scheme that defrauds the poor?

Second, a lottery will be of no help in the current budget crunch and will be a liability when future budget crises occur. Lottery proponents don't dare advertise the lottery as simply another scheme to fill government coffers. Instead, they claim that lottery earnings will fund new programs, like Georgia's HOPE Scholarships. In other words, they want to add huge liabilities to the state budget at a time when government needs to be cutting expenditures.

One of the dirty little secrets of the HOPE Scholarships is that lottery earnings long ago peaked and some of the funding is coming through general revenues, something that Gov. Zell Miller said would not be the case when he created this monstrosity years ago. Oklahomans need to understand that some time in the future, legislators may be coming after you to demand you ante up with more taxes in order to keep these beloved new government programs going.

Third—and here’s a news flash—gambling is addictive. We’ve seen various attacks upon tobacco companies lately, but gambling is just as addictive (and destructive) as smoking. While smoking may be bad for one’s health, at least it does not destroy families in the way gambling has done.

I seriously doubt anyone would demand that the government of Oklahoma create its own cigarette company and market its product across the state in exclusion of all other brands, but that is exactly what folks are endorsing when it comes to the lottery. In practical terms, there is no difference between the tobacco and lottery analogies. The only difference is in the product, and if I have to choose between them, I will take tobacco. At least no one is trying to defraud me if I light up.

Dr. Anderson (Ph.D. in economics, Auburn University) is an occasional contributor to Perspective and an adjunct scholar of the Ludwig von Mises Institute. He teaches economics in the MBA program at Frostburg State University in Maryland.

Originally published in the October, 2002 issue of Perspective.