

# Selling a Dream

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Jeremy Hines was hired as communications director for the state lottery and he was enthusiastic about his position. There was so much good the lottery did for the state, and the state had grown to depend on its revenue. In fact, \$500 million of the state's contribution to the education system came from its Pick, Power Ball and Mega-Millions drawings. The lottery was the fourth largest revenue producer in the state, grossing \$2.5 billion in the most recent year. The lottery also benefitted nearly 6,000 retailers who sold its tickets and earned five percent of ticket sales as commissions. Even more importantly, less than 1.5 percent of the lottery gross went to operate the business. As a result, Hines was unprepared for an activist group that called itself "STL" (Stop the Lottery.) The group, comprised of church groups, progressive organizations and individuals, had begun agitating and was gaining a hearing.

Statistics that STL issued to the media were alarming. Among them, nationwide the heaviest lottery players (the top 20 percent) are nearly twice as likely to lack a high school diploma and have a household income below \$10,000 as the population as whole. However, recipients from families with an annual income over \$72,000 make up 45 percent of education lottery scholarships awarded. A study from California found that 40 percent of those who played the lottery were unemployed and in Maryland, the poorest third of its population bought 60 percent of all lottery tickets. Moreover, in Michigan, people without high school diplomas spent five times more on the lottery than those with a college education. In addition, when a lottery was introduced in a state, the number of adults who gambled increased 40 percent. On top of that, the odds against winning the lottery were huge. The Mega-Millions rose as high as 1:175 million – over the half the population of the United States.

STL contended that the state lottery was unfair taxation on the poor. The state's position was that no one forced anyone to play the lottery. People did so as a form of recreation and pursuit of a dream – the chance to get rich. Moreover, the state's position had been upheld in court. STL was trying to raise a petition to get the state lottery put on the ballot the following November. The group had collected numerous examples of the ruinous effects that playing the lottery had on the poor – inability to pay rent, no funds to buy food, wrecking families and causing a greater burden on state services that otherwise would not have happened.

The state's response to these charges was that these are unusual occurrences and anecdotal incidents of people for whom gambling is an addiction. The state's lottery should not have to bear the burden of a few who were irresponsible. Moreover, there was a long history of government lotteries. Evidence of them dated to nearly 200 BC. A private lottery was held to support the settlement of

Jamestown in America. The English State lottery ran from 1694 to 1826. More than 200 lotteries were held in colonial America from 1744 to 1776. Three of the great US universities were funded by lottery – Princeton, Columbia University and University of Pennsylvania. Lotteries were used during the French and Indian Wars to pay for fortifications and local militia. Benjamin Franklin held a lottery to pay for cannon for the defense of Philadelphia. The Continental Congress used lotteries to pay for the militia commanded by George Washington. STL's counter to the historical argument was that society should have learned by now that lotteries fell unevenly on the poor who did not understand the concepts of self-taxation and were unable to grasp the odds against winning.

The war of words continued with the state holding the upper hand. There was no move in the statehouse to restrict the lottery because the state's budget leaned heavily on it. The first sign of a change in public attitude came with the successful filing of the initiative to vote on the lottery. Hines was called into the lottery director's office to discuss the matter. At issue was how to combat the perception that odds were too high. The lottery was about to issue a series of scratch-off cards that paid small amounts to a large number of winners, but maintained the state's take of revenue. The director asked whether this would mollify STL, whether or not the games were successful.

Hines wasn't sure.

"It's unlikely STL will accept anything less than the end of the lottery." Hines said.

However, STL's tactic of dramatizing the odds against winning had made headway in voter surveys. Citizens knew better how little their chance of winning was, but that hadn't caused a decline in wagering.

"They still believe in spite of the odds, they are likely to be winners."

"We don't have much to worry about," said the director.

Hines left the director's office with an uneasy feeling. How ethical is it to play on a person's self-deception? If a man thought he was king and handed money to his subjects, would it be right to take his cash while knowing he was impoverishing himself? If not, what right did the state have in fostering the illusion of luck and inducing the poor to tax themselves?

Hines imagined what the state might do if it were forthright– prominently listing odds against winning in advertising rather than burying it in 4-point type on tickets or under a hyperlink on its web site. A Pick 6 Lotto would be bannered as 1:14 million. A Powerball would be 1:195 million. Would it make a difference? Probably not, he thought. People believe in luck. If it is a general illusion, then

why shouldn't the state take advantage of it? If people weren't playing state lotteries, they would be playing the rackets' numbers games. Revenue might as well flow to the state rather than pockets of mobsters.

STL was like the righteous women who drove the cause of prohibition in the 19<sup>th</sup> and early 20<sup>th</sup> centuries. They had legitimate concerns about societal and family burdens that excessive drinking caused, but they outlawed a human's choice to imbibe, a pleasure that had existed for thousands of years. Still, what would be the harm if the state were to emulate the liquor industry's tagline, "Drink responsibly," with its own "Play responsibly?" And, would it be a harm if the state downplayed the illusion and got away from taglines like, "Give your dreams a chance?" That would not mollify STL, but it might sit better with voters.

He asked the director about it. The director was opposed to changing anything.

"Give an inch, they'll take a mile."

"We don't have to tell them we're doing it. We just do it."

"That's playing into their hands. They're the ones hyping the odds against winning. You're helping them out."

Hines agreed he was, and he fell silent.

Voter surveys showed the state in a commanding position on the lottery issue, but there was erosion, especially in districts where average education and household income were higher. STL was making inroads with a coalition of conservatives and liberals. Conservatives opposed the state's involvement in gaming that they said should be private enterprise. Liberals wanted to prevent harm to the poor. When likely voter surveys showed a 25 percent support of the initiative to outlaw the lottery, Hines was called to the director's office again.

"We need to emphasize where lottery revenues are going, benefits to schools, and government programs."

"We're doing that."

"Then, let's stress that if we don't have a lottery, we'll need higher taxes."

"That plays into the hands of STL – unfair taxation of the poor."

"The poor don't vote. We need to split the coalition."

Hines considered whether to bring up again changing the tone of the lottery, but he thought better of it. The director told him to meet with a budget analyst in the

comptroller's office to get briefed on what the state would need in taxation if it lost the lottery.

Hines learned that sales and income taxes would both rise to offset loss of lottery income. It was a politically unpopular choice in a state where taxes, especially property taxes, were among the highest in the nation. It was a forceful argument for the lottery, but it avoided the issue of self-taxation of the poor, an issue STL was sure to make.

"Is it possible that an annual decline in lottery revenue would force the state to raise taxes anyway?" Hines asked. The analyst said it would but to a lesser degree than loss of all lottery revenue.

"So, the better informed the public becomes, the lower the revenue forecast for the lottery?"

The analyst could not confirm that, but Hines felt if he made an issue of increased taxation, STL could mobilize the poor to protest lottery taxes. It was a question of how to present the case to minimize potential opposition.

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Questions for discussion:

1. What is the most effective way to present the argument for increased taxation should the lottery be outlawed?
2. Would the lottery have gained some public credibility and support had it adopted the "Play responsibly" tag line?
3. Would the lottery gain reputation if it worked to help addicted gamblers?
4. What would you do?