

AFD Ep 433 Links and Notes - State Lotteries [Bill/Rachel] - Recording July 3, 2022

- [Bill] Intro: Today we're talking about American lotteries, which have a lengthy history despite also being banned for many decades in the middle. Lotteries are a quietly important part of American history but also symbolize the eventual fusion of Italian urban culture and English settler-colonialism, financing the American English colonies from the beginning and rife with corruption. As always our sources and notes will be uploaded in a PDF with the episode at arsenalfordemocracy.com, but one source we especially want to recommend because it is comprehensive in detail of the entire narrative arc and freely available is "[Lotteries, Revenues and Social Costs: A Historical Examination of State-Sponsored Gambling](#)" by Ronald J. Rychlak in the January 12 1992 issue of the Boston College Law Review. There's also a good Britannica article and some useful Wikipedia pages as well as research by various state governments and associated think tanks. <https://www.britannica.com/topic/lottery>
- [Rachel] The practice in Italy and the Netherlands
 - The Netherlands and Italy conducted the first known lotteries, dating all the way back to the 1400s. The Netherlands in particular used them as a somewhat painless form of town-level taxation, raising funds for town fortifications or to help the poor. *A record dated 9 May 1445 at L'Ecluse [Sluis, in the Dutch province of Zeeland] refers to raising funds to build walls and town fortifications, with a lottery of 4,304 tickets and total prize money of 1737 florins (worth about US\$170,000 in 2014).* This practice continued throughout the centuries, and the Netherlands established the oldest running state-level lottery, the Staatsloterij in 1726. The English word "lottery" is derived from the Dutch noun "lot" meaning "fate".
 - *The first recorded Italian lottery was held on 9 January 1449 in Milan organized by the Golden Ambrosian Republic to finance the war against the Republic of Venice. However, it was in Genoa that Lotto became very popular. People used to bet on the name of Great Council members, who were drawn by chance, five out of ninety candidates every six months. This kind of gambling was called Lotto or Semenaiu. When people wanted to bet more frequently than twice a year, they began to substitute the candidates names with numbers and modern lotto was born, to which both modern legal lotteries and the illegal numbers game can trace their ancestry.*
 - When Italy unified, its first national lottery was established in 1863, with weekly drawings organized for the purpose of providing income to the state. *Lotto, the Italian National Lottery, is regarded as the basis for such modern gambling games as policy, the numbers game, keno, bingo, and lotto.*
- [Rachel] The practice in England
 - In England, the first recorded official lottery was chartered by Elizabeth I in 1566 to raise funds for harbor repairs and other public works, and drawn in 1569. Each ticket won a prize and the total value of the prizes was equal to the money raised, so it essentially acted as an interest-free loan to the government with a three-year term. Each ticket was £0.50, which was about three weeks of wages for ordinary citizens, and there were 400,000 tickets issued. Prizes were in the form of "ready money" or valuable commodities, such as linen cloth, silver plate, or tapestries. Each ticket also granted immunity from one arrest, "so long as the crime wasn't piracy, murder, felonies, or treason."

- Many private lotteries were also held. The Virginia Company of London ran a series of lotteries, with permission from James I, to fund the settlement of Jamestown. These lotteries ran from 1612 to 1621, when they were banned by the House of Commons.
- The English State Lottery ran from 1694 to 1826. *Some important problems developed in the manner of conducting lotteries in England in the 17th and 18th centuries. For most of that period, lotteries were the only form of organized gambling available to the people. They were intensively advertised by such promotions as torchlight processions in the streets. Contractors would often manage to purchase tickets at less than the standard prices for subsequent resale at excessive markups, and a type of side bet called insurance—a small wager that a ticket would or would not be drawn in the regular lottery—was popularized. The state could not derive revenues from either of the latter two practices, but dishonest private operators could. Also, it was claimed that lotteries encouraged mass gambling and that drawings were fraudulent. Their abuses strengthened the arguments of those in opposition to lotteries and weakened their defenders, but, before they were outlawed in 1826, the government and licensed promoters had used lotteries for all or portions of the financing of such projects as the building of the British Museum, the repair of bridges, and many projects in the American colonies, such as supplying a battery of guns for the defense of Philadelphia and rebuilding Faneuil Hall in Boston.*
- [Bill] The practice in the pre-revolutionary colonies
 - Beyond the lotteries in England raising funds to establish colonies in the Americas, those colonies quickly found themselves in need of significant funding sources but without much internal taxing authority or the political support for what taxes they could raise. Lotteries once again became an easy, voluntary form of taxation (at least until the authorities back in England started growing concerned about this independent local revenue source they hadn't signed off on): <https://en.wikipedia.org/wiki/Lottery> *Lotteries in colonial America played a significant part in the financing of both private and public ventures. It has been recorded that more than 200 lotteries were sanctioned between 1744 and 1776, and played a major role in financing roads, libraries, churches, colleges, canals, bridges, etc.[5] In the 1740s, the foundation of Princeton and Columbia Universities was financed by lotteries, as was the University of Pennsylvania by the Academy Lottery in 1755. During the French and Indian Wars, several colonies used lotteries to help finance fortifications and their local militia. In May 1758, the Commonwealth of Massachusetts raised money with a lottery for the "Expedition against Canada". Benjamin Franklin organized a lottery to raise money to purchase cannons for the defense of Philadelphia. Several of these lotteries offered prizes in the form of "Pieces of Eight".*
 - A ticket from Massachusetts during the French & Indian / Seven Years War [reads as follows](#): "Massachusetts - Lottery, (No. One.) May 1758. The possessor of this Ticket [No. 8081] shall be entitled to any Prize drawn against said Number, in a Lottery granted by an Act of the General Court of the Province aforesaid, passed in April 1758, towards supplying the Treasury with a Sum of Money for the intended Expedition against

Canada, subject to no Deduction.” The war did ultimately result in the British acquiring Canada from the French.

- As a side note, but an important one: The etymology of the American English word “lot” meaning a parcel of land is directly from the concept of a lottery. The idea from the 1630s, early in the American English colonies, is that the parcel is the winning share of land handed down by fate or God to the settlers, usually quite literally distributed at random if it was “desirable” land at the formation of a new town or settlement area. It’s the same idea as conveyed in the phrase “one’s lot in life,” which has medieval origins, but instead came to refer specifically to physical land. <https://www.etymonline.com/word/lot> In many cases these desirable lots would have been the abandoned farmlands of indigenous communities who had died of earlier waves of European diseases introduced to the Americas nearly a century and a half earlier. In other cases, the lots would have been seized indigenous lands. Settlers would pay to enter their names in a drawing for their share to be distributed by the central authority. As the colonies and eventually the United States expanded, land purchases by private citizens from the government were done by auction instead of lottery or just outright regular payment if there was no competition for a tract. Later lotteries in the colonial period were not for fair distribution of land to all who entered but were instead simply to raise funding for projects, and land was used (along with slaves) as a possible prize for a small number of lucky winners. Hamilton noted that participants seemed to prefer a small chance of a large prize over a high chance of a small prize. The Puritans in New England [developed](#) an unusually convoluted view that lotteries were Biblically acceptable for serious public functions but not for entertainment or game purposes; so, it was ok for distributing land and raising funds for infrastructure and churches. Quakers were even more unhappy with lotteries, but they too simply imposed strict regulations on them.
- [Bill] The US: Continental Congress launched one as early as 1776. It was not very successful, but the governments of the individual states followed not long after.
 - Lotteries in the early United States also played [a key role](#) in the development of the more traditional finance sector: *Many local lottery promotions had difficulty after the Revolutionary War, but the lottery business expanded rapidly by moving from local operations to state or nationwide productions. Ticket brokers emerged, buying large blocks of tickets at a discount and reselling them throughout the country for a profit. Brokers heavily promoted the lotteries with newspaper advertisements and handbills. They sold tickets on the installment plan, sold fractions of tickets, and (sometimes illegally) sold out-of-state lottery tickets. In fact, brokers ultimately had complete control of and supervision over lotteries for the sponsoring parties. Colonial period licensing laws were unable to control the problems created by national brokerage, so states had to enact new regulations, which often included bonding and supervision of receipts. In time, brokers established interstate connections, merged, and a few companies were able to monopolize the market. Lottery ticket brokerage became America's first national marketing enterprise, and one of the first entities to use the telegraph. Much later, certain lottery*

brokerage houses moved into stocks and currency exchanges, ultimately evolving into banking enterprises, some of which remain prominent today.

- Eventually this association with unpopular bankers, especially after the Panic of 1837, began compounding a growing political movement against lotteries.
- [Rachel] [Hovenkamp, Herbert J., "The Classical American State and the Regulation of Morals" \(2013\). Faculty Scholarship at Penn Law. 1906.](#) Starting in the 1820s, as another religious revival against vices got under way in the US ([and abolition of lotteries was happening in Britain concurrently](#)), there was a wave of anti-lottery law, court cases, and even state constitutional conventions. The Jacksonian era was marked by the state acting as a conservative moral regulator, at the same time as markets were liberalized. *The great reform movements of the four decades before the Civil War were religiously motivated, heavily Jacksonian or Whig. Their goal was the enactment of civil legislation not associated with any denomination in particular, but with Christian values in general. These laws restricted work or business on Sunday, manufacturing or consumption of alcoholic beverages, gambling and lotteries, etc.*
- New York started the wave of state laws banning lotteries, adopting an anti-lottery statute in 1821, and a stronger one in 1833, followed by Connecticut and Virginia in 1834.
- *The first Supreme Court decision upholding a statute forbidding lotteries came in a dispute challenging a prior state policy of encouraging them. In 1829 the Virginia legislature had authorized a corporation to use a lottery to finance a Turnpike, but in 1834 it passed another statute condemning lotteries, but permitting previously approved lotteries to continue until 1837. The Company then challenged the limitation as an impairment of a pre-existing contract. The Court found no impairment.*
- By 1860, only 3 states had not banned lotteries and they all happened to be 3 of the 4 "border states" in the coming Civil War – Delaware, Kentucky, and Missouri. However, many states, especially in the South, temporarily relaxed their bans on lotteries after the Civil War in order to quickly raise funds to repair the damage brought by the war. These tickets were often sold across state lines, which proved to be very controversial as the bans returned following the Reconstruction Period.
<https://lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1964&context=bclr>
- There was even a harsh US Supreme Court opinion in 1878. Anthony Comstock, infamous for his moral zealotry while acting as a "special agent of the Post Office, arrested dozens of people for circulating lottery materials in the mail. One such dealer, A. Orlando Jackson, protested that his First Amendment rights to free speech were curtailed by Comstock. The Supreme Court decided in *Ex Parte Jackson* that the postal ban on lottery materials did not violate the First Amendment right to free expression, but it did state that mail searches required a warrant. Post-Jackson, more states passed anti-lottery laws.
- The US passed a ban on interstate lottery commerce in 1890 and by that point only Louisiana and Delaware even still allowed lotteries, and states were sick of Louisiana drumming up sales across state lines. Within a few years, that interstate ticket ban dried up the vast majority of sales and it shut down too. An 1893 Library of Congress report [stated](#) that there was "a general public conviction that lotteries are to be regarded, in direct proportion to their extension, as among the most dangerous and prolific sources of human misery." The ban on

interstate lottery commerce was upheld by *Champion v. Ames* (1903), when Champion was indicted for transporting Paraguayan lottery tickets from Texas to California. The decision stated that interstate commerce regulatory powers extend to prohibition of interstate commerce of items.

- [Bill] There was then a long gap between state lotteries until 1964, and during this interim lotteries were privately run by organized crime, known as the Numbers Game or Numbers Racket or simply the Italian Lottery, and unfortunately also by a name we won't repeat because it includes a slur that reflects the popularity of the game among northeastern urban working-class Black residents:

https://en.wikipedia.org/wiki/Numbers_game

- The mechanism in the Numbers Game, utilized by a wide range of organized crime outfits, was no longer a random drawing but a game of paying to guess a number and then if that number is selected the person wins a prize. To keep the winning numbers random and avoid the problem of rigged drawing of numbered balls from a spinning machine, the winning numbers would eventually often be drawn from some number combination that regularly appeared in the newspaper, such as closing numbers of a stock market index or US Treasury reports or results of horse race betting, although the latter quickly also became subject to rigging to control the outcome of the game. The numbers games in the US dated back to the pre-Civil War period but were illegal and not used by state lotteries in the 19th century. Operating a numbers game in a 20th century American city for an organized crime enterprise was a very labor-intensive process and encompassed various physical territory that could be contested by rival outfits. Bettors were playing daily and their bets and selected numbers had to be collected from all over by bookies and runners, with winnings circulated back each day as well. The number of people that had to be involved to run one, as well as relatively proportionally large prizes if someone actually guessed the right number combination, meant the margins were often actually kind of low in some cases, at least compared to what you might expect. In really big cities like New York there were dozens and dozens of illegal lotteries being operated in the peak years – many covering quite small turfs of a few blocks, while others covered every neighborhood of the same ethnicity in a whole borough or even the metro region.
- When states began exploring reviving legal publicly-controlled lotteries in the 1960s, [beginning with New Hampshire and then New York](#), they typically devised a legalized version of the Numbers Game and random number generators, since it was clearly a popular form of gambling and could undermine organized crime's revenues by reducing the illegal market. That illegal market did not evaporate immediately however, since some of the early legal lotteries weren't all that appealing in terms of the payouts. Additionally the US federal government did not lift the ban on advertising to promote lotteries until 1975.
- Some types of lotteries are still prohibited by state laws but happen anyway illegally. There are also still laws governing the use of the postal service with regard to lotteries and smuggling occurs.
- [Bill] Today 45 states, DC, Puerto Rico, and the US Virgin Islands have their own official lotteries, while 5 states do not. There are two joint interstate lotteries – Powerball and MegaMillions – operating in all of these same places, and there are several other interstate lotteries in some states, but there is not an official federal lottery. Nevada does not have a lottery because it would be in competition with the actual casinos, and some states still have religiously-driven bans.

https://en.wikipedia.org/wiki/Lotteries_in_the_United_States

- Revenues and participation have generally been on the decline in the 21st century, especially as casinos have proliferated (although there are other factors cited in the decline). *On average, about 1 percent of state revenue comes from lotteries. [...] Nationally, state lotteries generated \$66.8 billion in gross revenue in fiscal 2015, which exceeds the \$48.7 billion generated by corporate income taxes. However, after putting \$42.2 billion of that income into prizes and \$3.2 billion into administration and advertising, states were left with net lottery proceeds of \$21.4 billion. Between fiscal 2014 and 2015, 22 states saw their lottery revenue decline. According to data from the Rockefeller Institute, lottery struggles have been particularly pronounced in the Northeast and Mid-Atlantic dating back to Fiscal Year 2008, while lotteries in the Southeastern and Western regions have tended to experience growth. Lotteries are relatively newer in these regions, particularly in the South...* Lotteries have often been defended for raising a bit of dedicated revenue for important programs like education or healthcare, supposedly tapping into already-existing revenue streams that would otherwise be underground and inaccessible to the state, but they also seem to very clearly require a strong marketing campaign to gin up participation to maintain those revenues, which raises serious ethical questions with regard to the state relationship to gambling addiction, which we will circle back to shortly:
<https://www.ncsl.org/research/fiscal-policy/keeping-state-lottery-revenue-alive.aspx>
- *Once established, lotteries retain their broad public support: in states with lotteries, 60% of adults report playing at least once a year.⁶ In addition to the general public, lotteries also develop extensive specific constituencies, including convenience store operators (the usual vendors for lotteries); lottery suppliers (heavy contributions by suppliers to state political campaigns are regularly reported); teachers (in those states in which revenues are earmarked for education); state legislators (who quickly become accustomed to the extra revenue), etc. Since New Hampshire initiated the modern era of state lotteries in 1964, no state lottery has been abolished. [...] Critics charge, however, that the "earmarking" of funds is misleading: lottery proceeds used for a specific program, such as public education, in fact simply allow the legislature to reduce by the same amount the appropriations it would otherwise have had to allot for that purpose from the general fund. The money "saved" remains in the general fund, to be spent on whatever purpose the legislature chooses. Critics add that, as there is little or no evidence that overall funding has increased for the targeted recipients of lottery revenues, the only result has been to increase the discretionary funds available to the legislature, which may be a key reason for the popularity of lotteries in the state houses.*
<https://govinfo.library.unt.edu/ngisc/research/lotteries.html>
- [Rachel] Taxes on winnings, annuities vs lump sums
 - <https://blog.taxact.com/lottery-tax-calculator/>
 - IRS automatically takes 25% off the top. After that, the rest of the earnings are taxed according to the progressive tax brackets, with the top bracket taxed at 37%. Then comes state and local taxes, as applicable, and Arizona and Maryland tax the winnings of non-residents.
 - Most experts recommend lump-sum payouts over annuities, because the lump sum can be invested in high-return investments that provide more income over time. However, with annuities, your winnings are more likely to be taxed in a lower tax bracket, and you can take advantage of tax deductions every year. A lot depends on residency and likely return on investments.

- [Rachel] Straw winners and continued organized crime role: https://www.washingtonpost.com/opinions/whos-willing-to-bet-that-state-lotteries-are-free-of-manipulation/2018/06/12/f9832e50-6dc0-11e8-afd5-778aca903bbe_story.html
 - *Just last year, a former executive with the Multi-State Lottery Association [pleaded guilty](#) to tampering with software so he could predict the winning numbers drawn in [five state lotteries](#). The scheme enabled him to partner with straw buyers to claim \$2.2 million in winnings before he was caught.*
 - *The scam came to light because Iowa, like most states, requires players to provide their real names when they claim their winnings. When a shell company based in Belize [tried to redeem](#) a winning ticket in Iowa, investigators rejected the claim and started investigating the company. That unraveled the conspiracy.*
 - *In November 2016, a consortium of journalists and researchers from 10 countries published [an exhaustive study](#) about state-run gambling and all the ways it can go wrong. Among the conclusions: More than 1,700 people across the United States turn up repeatedly in lottery records as “super-winners” of 50 or more significant prizes, an astronomically improbable rate.*
 - *The consortium’s data-gathering led to spinoff investigations across the country. The Wisconsin Center for Investigative Journalism looked into the backgrounds of frequent prizewinners and [found](#) that at least three of the 13 players who have won 20 times or more in recent years either worked for lottery retail stores or were closely tied to someone who did.*
 - *This isn’t new. Four years ago, reporters from the Palm Beach Post used public records from Florida’s lottery agency [to document](#) a suspicious pattern of repeat prizewinners. The most likely explanation? The winning tickets were actually held by people who had stolen them, owed child support or otherwise couldn’t risk being detected — so they sent straw-man claimants to pick up the winnings. The 2014 investigation led the Florida Lottery to shut down sales at 18 retailers and implement other safeguards.*
 - *A similar pattern turned up in Massachusetts. The Boston Globe [reported](#) that the practice of paying a commission to frontmen who redeem tickets for criminals was so commonplace that state lottery officials had coined a name for it: “Ten Percenters.”*
- [Bill] Public lottery ethics – gambling, regressive impact, and profit-seeking lobbying interests: <https://govinfo.library.unt.edu/ngisc/research/lotteries.html> *Critics counter, however, that whatever the impact on revenue and illegal gambling may be, the benefits of the lottery are more than offset by its expanding the number of people who are drawn into gambling. Worse, lotteries are alleged to promote addictive gambling behavior, are characterized as a major regressive tax on lower-income groups, and are said to lead to other abuses. Even more troubling, however, is the general criticism that the state faces an inherent conflict in its desire to increase revenues and its duty to protect the public welfare. [...] Because the lotteries are run as a business with a focus on maximizing revenues, advertising necessarily focuses on persuading target groups to spend their money on the lottery. The questions are 1) does this promotion of gambling lead to negative consequences for the poor, problem gamblers, etc.?; and 2) even if these problems are minimal, is this an appropriate function for the state? Is running a lottery at cross-purposes with the larger public interest? Critics charge that lottery advertising seeks “to stimulate rather than merely accommodate demand,” a role for the state that “may be inconsistent with other functions of government...Lottery advertisements must either encourage existing players to buy more tickets or entice non-players into becoming players.” 26 These and other opponents allege that lottery advertising is*

targeted to appeal to the irrational elements in the public's imagination, seeking to persuade potential players that they can influence their odds through the choices of numbers they pick and also that it attempts to convince the individual player that his chance of winning is far greater than the odds would suggest. In the words of one, lottery play depends on encouraging people's "magical thinking," which advertising must target.²⁷ According to New Jersey's lottery director, the purpose of advertising is to "tak[e] an infrequent user and [try] to convert him into a more frequent user." ²⁸ [...] The focus on convincing non-players or infrequent players to utilize the lottery, as well as persuading frequent players to play even more, is the source of an additional array of criticisms. Giving force to this concern is the widespread conception that the lottery is a regressive tax because it draws a disproportionate amount of its revenues from lower-income groups. The image of the state promoting a highly regressive scheme among its poorest citizens by playing on their unrealistic hopes is a highly evocative one. The most frequently cited, and most egregious, example of this was a billboard in one of Chicago's poorest neighborhoods that touted the lottery as: "How to go from Washington Boulevard to Easy Street - Play the Illinois State Lottery."³⁴ This assumption, however, may not be accurate. Much depends on the definition of "regressive." Economists define a regressive tax as one that takes an increasing percentage of income as income falls. In that sense, given the fact that a lottery ticket is the same price to all, regardless of income, it is by definition regressive (and is considered an "implicit" tax because the revenues go to the state). But this simple approach does not capture such variables as frequency of play and the amounts of money generated by the lottery by income group. Here the evidence divides by the type of game played. The data suggests (although is far from conclusive) that the bulk of lotto players and revenues come from middle-income neighborhoods, and that far fewer proportionally come from either high-income or low-income areas. Clotfelter and Cook cite one study in the 1970s which concluded that "'the poor' participate in the state lottery games at levels disproportionately less than their percentage of the population."³⁵ By contrast, those playing the daily numbers games, including scratch tickets, are drawn quite heavily from lower-income neighborhoods. The popular belief is that the poor are much heavier users of the lottery than the rich and the middle classes. In fact, however, although "lottery play is systematically related to social class, [it is] perhaps not always as strongly as the conventional wisdom would suggest." The data "do not demonstrate any consistent relationship between lottery play and household income over the broad middle range [...]" "On average, people bet the same amount on the state lottery regardless of income. Absolute expenditures appear to be remarkably uniform over a broad range of incomes."³⁷ Assuming this is true, the lottery may still be termed regressive because the state takes greater percentage of income from those with lower incomes.³⁸ Whatever similarity between income groups there may be regarding absolute amounts spent on the lottery, Clotfelter and Cook agree that the poor spend a larger proportion of their incomes on the lottery.³⁹ Although total expenditures on the lottery may be broadly similar by income group, the type of game they play differs considerably. An analysis by the Chicago Sun-Times revealed that lower-income individuals concentrate much more heavily on the numbers games, "trading lower payoffs with a higher chance of winning. They also are likely to be frequent players, often daily players. Lotto - with its big-money jackpots and slim odds -- appears to appeal more to upper-income groups, most of whom are only occasional players, usually when the prize money reaches large proportions."⁴⁰ [...] Clotfelter and Cook report that lottery marketing strategies do seem to explicitly target lower-income groups. For example, the advertising plan for Ohio's SuperLotto game stated that lottery promotions should be timed to coincide with the receipt of "Government benefits, payroll and Social Security payments."

- Also here's one other quirk of legalized lotteries: *The lottery has also apparently had a negative impact on charitable gambling. In 1984, charitable gaming in Massachusetts, such as church bingo, had revenues of \$250 million. By 1995, those figures had declined to \$200 million. Competition from the lottery is usually blamed, especially following the introduction of keno. "We're getting slaughtered by Keno," said one local rabbi.*⁵⁴
<https://govinfo.library.unt.edu/ngisc/research/lotteries.html>

Some additional reading for interested listeners on fungibility of funds from lotteries:
<https://money.cnn.com/2016/01/13/news/powerball-education/index.html>

An additional critique of state lotteries:

<https://democracyjournal.org/arguments/rigged-the-shame-of-state-run-lotteries/>

- *A widely-cited 1999 [Duke study](#) determined the demographics of this top 20 percent, and the results are disturbing. African Americans comprised 25.4 percent of the heaviest players, even though they make up only 12.2 percent of the country. High school dropouts were 20.3 percent, but 12.3 percent of the country. Those with household incomes under \$10,000 are 5 percent of citizens, but 10 percent of the heaviest players. The practical impact? Lottery players who were high school dropouts spent \$700 a year on the lottery on average. Those with yearly household incomes under \$10,000 spent nearly \$600. These are the players on which lotteries rely. State governments encourage this level of gambling with marketing campaigns unlike that of any other government service. Residents of New York in the 1990s will still remember the slick, "Hey, You Never Know" ad campaigns. My own grocery store's lottery kiosk is a shining blue, with the giant (and slightly desperate) marquee "Lots Of People Win."*
- *An argument familiar to those in states that have recently legalized lotteries is that "the state next door is taking our money." The reasoning goes that, if an adjacent state has a lottery, that state will "take" the home state's revenue. This is persuasive at first blush, but it's really a race-to-the-bottom technique masquerading as pragmatism. In reality, the amount of funds lost to people who live near the border and play in other states is small enough that it could be raised in countless ways. Indeed, possibly the saddest aspect of most state lotteries is that the revenue really is not vital. It's simply preferred because it's yet another way (with fees, surcharges, and other gimmicks) of raising money without "raising taxes." In fact, the National Conference of State Legislatures found that lottery proceeds constituted only 0.95 percent of net state revenue in 2006—"less than the revenue from motor vehicle license taxes." Truthfully, for lawmakers whose goal is to extract as much money as possible, no alternative will be preferable to what's in place. But alternatives do exist: return to an illegal lottery; legalize and tax lotteries; or split the difference by allowing lotteries that provide solely for charities or other efforts in the public good.*