



You Can't Lose If You Don't Play

by Doug Stout

Gambling is not new. It has been around about as long as there have been people around to place bets. It was probably around before money. You could probably bet two goats that your horse was faster than the other guy's horse. I know that there are some Iowans who oppose gambling on moral grounds, but I think more people's concerns are related to the abuse of gambling. You don't hear too many people saying that the Attorney General should crack down on office NCAA pools where everyone fills out a bracket and the winner gets the small proceeds.

It is the problems that we often associate with gambling that cause the most angst. We worry about individuals who have a gambling problem and who bet sums they cannot afford to lose. This is a serious concern; many Iowans know someone who has lost their job or created hardship for their family because they could not control their desire to gamble. Apparently, some people can become addicted to the "rush" of gambling in the same way that others can be addicted to controlled substances. The toll their actions can have on families is very real and very serious.

Another gambling concern is less often expressed. It is the negative message that the way to get ahead in life is to "be lucky." In other words, if you want to change your life, you should buy lottery tickets because as we have all heard... "somebody has to win - it might as well be me." There is a local commercial on television related to tax season, when we all pay our taxes. (Actually, a study out in early April by the Tax Policy Center, which is a Washington, D.C., research organization, says that only 53 percent of Americans will pay any federal tax at all. The other 47 percent either had incomes that were too low, or had enough credits, deductions, and exemptions so that they had no tax liability.¹ The study also says that the bottom 40 percent of income earners, actually make a profit on their taxes. The government actually sends them money. The data also indicates that the top ten percent of earners paid about 73 percent of the income taxes collected by the federal government.² This has some disturbing implications for the future of a healthy democracy, let alone for a healthy economy.) The commercial I refer to is for *The Simpsons*, an animated television show. The family tax preparer asks the father why he throws \$1,000 per month into wishing wells? Homer, with his typical logic, replies that it is obviously because he is wishing for more money. Have many of us have unwittingly fallen into "Homer" logic?

If you buy lottery tickets in small quantities because it is entertaining to have the excitement of thinking you might win and you get enjoyment from the experience of checking the numbers and occasionally winning small amounts of money back, then so be it. I don't think it is the place of any government to say that you should not be able to do so. You should be free to spend your "entertainment" dollar in any way that is designed to give you the most personal psychological benefit. Some people go to an amusement park, some go to the State Fair and eat corn dogs, and some buy lottery tickets; "to each their own." However, I worry that some lottery tickets are bought out of economic desperation, or out of a misguided hope that it is truly a "ticket out" of poverty or the daily struggle to make ends meet. The actual odds of winning a "life-changing" amount of money in this fashion make this truly a "fool's bet." Cynical politicians have been known to refer to lottery proceeds as "a tax on those who were never very good at math." If you think that sounds too cynical, then think about a few other things.

Why is it that the state owns the lottery and collects the proceeds? Obviously there is an opportunity for corruption and deceit in the awarding of prizes, so I think everyone would agree that the lottery should be a heavily regulated enterprise with extreme transparency and law enforcement oversight.

We can perhaps agree that Iowans should be free to buy a "gambling ticket" from the lottery if they choose to spend their entertainment dollar in that fashion. We can perhaps also agree that the pro-

A Publication of: **Public Interest Institute at Iowa Wesleyan College**

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cess should have maximum transparency and law enforcement oversight to ensure a “fair game.” We would need to ensure that there was no infiltration of the process by organized crime. But why should the government take the proceeds...and why should we as a society spend government resources to run commercials to actually encourage a habit...which for a small percentage of people has the potential to destroy their lives...and which, for the rest of us, is at best probably not the most productive way to spend our hard-earned dollars?

If we are going to have a lottery, why not license a limited number of “bonded” private entities to sell the tickets? It would create competition, in that each seller would have an incentive to pay out the most possible winnings, (after taking a reasonable profit), because if they did not do so, people would buy the other companies’ tickets. It is certainly doable; it would just mean running the lottery more like we run the state-licensed casinos. I have no problem with the state taxing the sellers, or selling the licenses, to take a share of the revenue.

So just to be clear, I am not advocating that the state forbid Iowans from buying lottery tickets, nor am I opposed to extensive licensing, regulation, and taxation of the industry. However, I strongly feel it is very bad public policy to have Iowa in the business of trying to encourage citizens to buy tickets and then depending on the revenue to operate the state government.

No government should have a financial interest in trying to convince its citizens to do something which is probably not in their best interest, or be in the business of creating unrealistic hopes and dreams. We do not have an issue with the right of Iowans to smoke or drink in their homes, but we would be aghast if we used state revenues to advertise and market the products to encourage greater consumption of alcohol and tobacco. It is not the proper role of government to try to convince people to spend more on vices. It is one thing to accept many forms of conduct in a free society, but it is quite another thing for the state to be in the business of encouraging the behavior. Beyond that, we are now issuing state bonds that depend on income from lottery ticket sales to pay them back. So we now have more reason to encourage Iowans to spend more on what many consider to be a poor spending choice...and the ones who often spend the most are those that can least afford to do so.

We should literally cringe when we hear commercials telling Iowans that “You can’t win if you don’t play.” It is not a message any government should be sending to its citizens, particularly its youth. The implied message is that the way to get ahead in life is to “get lucky.” It suggests you are being foolish if you do not go out and spend your money on the “longest of long shots.” Lottery tickets are a horrible financial investment. If you enjoy buying them, you should be able to do so, but the state should not have an incentive to try to get you to “up the ante,” on a game with odds stacked so very heavily against you. It just isn’t a proper role of government. A social liberal should be concerned about encouraging our poorest citizens to exercise poor spending choices and a conservative should ask is this a proper role for a limited government? Iowa should get out of the “bookie” business and come up with a rational plan to transition it to the private sector. A free society accepts minor vices, but it should not be promoting them.

(Endnotes)

¹Stephen Ohlemacher, “Nearly half of US households escape fed income tax,” *Associated Press*, April 7, 2010, <http://www.google.com/hostednews/ap/article/ALeqM5jh1dk77muG6W-nTBNRf_BOt8ssPQD9EUC4FO0>, (April 9, 2010).

²Ibid.

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