The State-Sponsored Lottery

A Failure of Policy and Ethics

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Abstract

State-sponsored lotteries are viewed by some as modern-day fiscal saviors and vilified by others as government-supported vice. This commentary identifies the key questions and relevant data on the social impact of lotteries. Using decision ethic frameworks, it assesses lotteries and concludes that neither policy nor ethics supports them as an activity appropriate for government sponsorship.

> The Lottery, with its weekly pay-out of enormous prizes, was the one public event to which the proles paid serious attention. It was probable that there were some millions of proles for whom the Lottery was the principal if not the only reason for remaining alive. It was their delight, their folly, their anodyne, their intellectual stimulant. Where the Lottery was concerned, even people who could barely read and write seemed capable of intricate calculations and staggering feats of memory. There was a whole tribe of men who made a living simply by selling systems, forecasts, and lucky amulets . . . the prizes were largely imaginary . . . the winners of the big prizes being nonexistent persons.
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> —George Orwell (1949, 85–86)

George Orwell's novel *1984* of a half-century ago has been hailed for its powers of prophecy. This quotation is an example of its predictive strength. When Orwell wrote *1984*, there were no legal lotteries in the United States. Today there are state-sponsored lotteries in four-fifths of the states. Perhaps Orwell exaggerated, but millions delight in, and despair at, the institution of the lottery. While lottery play is not limited to "proles," the less well off comprise the group most vulnerable to its siren call. When applied to the ideal of the common good, Orwell's references to imaginary prizes and nonexistent winners are also prescient.

The state-sponsored lottery is viewed by some as a modern-day fiscal savior and vilified by others as government-supported vice (NGISC 1999). The lottery is controversial, and passions run high on both sides of the issue. Yet some fact-based

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conclusions can be drawn. The evidence indicates that the original aims of the state lottery have not been fulfilled. Moreover, the lottery cannot be defended as an ethical enterprise for government. The state-sponsored lottery is a failure of both policy and ethics, as will be demonstrated by the present commentary, which focuses on the state-sponsored lottery as an example of morality policy, a realm that public service ethics can illuminate.

Background: Past and Present Lotteries

Gambling has been a part of human culture since history was first recorded. It involves three elements: consideration, chance, and reward (Rychlak 1992). In the lottery case, the consideration component is the fee for the ticket. Chance comes in because lottery numbers are randomly selected. Finally, the lottery prize constitutes the reward. While the first lotteries were probably simple games played for amusement at parties or festivals, governments in Europe recognized the potential for profit and began to sponsor lotteries as early as the sixteenth century (Rychlak 1992).

It was natural for lotteries to spread to American soil. In 1776, there were lotteries of various kinds operating in all of the thirteen colonies (NGISC 1999). Because there was no strong central government and the tax base was weak, lotteries were viewed as legitimate methods for raising revenue (Rychlak 1992). The proceeds were used for many different public purposes throughout early American history. Lotteries helped to build cities, including the Jamestown settlement (Clotfelter and Cook 1990). A public lottery paid for the reconstruction of Faneuil Hall in Boston in 1761 (National Park Service, n.d.). Lotteries helped to establish universities, financing buildings on the campuses of Harvard and Yale, and raised money to finance the Revolutionary War by funding the Continental Army (Clotfelter and Cook 1990). Hundreds of bridges, firehouses, and schools were subsidized by the sale of lottery tickets. In some locales lotteries funded the building of churches.

In the nineteenth century, as the country developed what are now standard methods of finance and taxation, lotteries were eventually discarded. This trend was reinforced by problems related to fraud, and by the efforts of reformers to draw attention to the social problems attendant upon pathological gambling. The Louisiana lottery, a state lottery that operated nationally, became embroiled in a scandal in the 1870s that included the bribery of state and federal officials (NGISC 1999). This incident and other notorious events led to federal legislation prohibiting lotteries in 1895.

The prohibition remained in effect until 1964 (Rychlak 1992). The first state to introduce a lottery after the ban ended was New Hampshire. Larry Pickett, a member of the state legislature, began advocating a sweepstakes ten years before a bill was finally signed into law (New Hampshire Lottery, n.d.). Representative Pickett proposed the sweepstakes as a practical and voluntary means of raising revenue for education. Cities and towns were allowed to opt out of the sale of sweepstakes tickets, although few did so. New York adopted a lottery two years later, New Jersey in 1970, and ten more states in 1975 (NGISC 1999). Today there are lotteries in forty-one states plus the District of Columbia.

What accounts for the widespread adoption of lotteries? Berry and Berry (1990) conducted an event history analysis of lottery adoption that incorporated two models of policy innovation. The first, internal determinants, suggests that a state government will adopt a policy based on the state's political, economic, and social characteristics.

The second model, regional diffusion, stresses the influence of nearby states, on the assumption that states facing policy problems copy their neighbors. Most of the study's hypotheses were confirmed. A state's fiscal health was positively correlated with lottery adoption: "The worse the fiscal health of a state's government . . . the more likely it is to adopt a lottery" (Berry and Berry 1990, 401). The study also found that lotteries were more likely to be adopted in election years. Lotteries may seem to be a magic bullet for politicians. As to regional effects, not surprisingly, states were more likely to adopt a lottery if neighboring states had already done so. Citizens in non–lottery-adopting states who live near states with lotteries are able to purchase tickets in close proximity. The non–lottery-adopting states feel pressure to retain the revenue of their own residents.

In 1973, sales of lottery tickets were $2 billion (NGISC 1999), and by 2004, sales exceeded $48 billion (NASPL n.d.). This huge revenue growth is not simply the result of the spread of lotteries into new states. For example, annual per capita sales increased from $35 in 1973 to $150 in 1997 (Clotfelter, Cook, Edell, and Moore 1999). The games have changed during the lottery rebirth of the last forty years. Technological advances have greatly contributed to increased lottery sales. Before the mid-1970s, state lotteries resembled raffles in which players bought tickets for a drawing at a date in the future. Today there are five major types of lottery games: instant games, daily numbers games, lotto, electronic keno, and video lottery (NGISC 1999). Not all states offer each game, but overall, the enhanced playing opportunities allow lotteries to compete with casino-style gambling. Furthermore, there are multistate games like Powerball with jackpots that are often $100 million or more.

Lotteries are more popular and palatable than taxes because participation is voluntary. Lotteries appear to be "money for nothing"—a windfall both for the state and for the winners.

Policy Failure

Purposes of the Lottery

Why do states sponsor lotteries? The primary reason is to raise revenue without increasing taxes. States are in the throes of budget crises. Citizens demand stable or reduced taxation, but expect current or increased service levels. Lotteries are more popular and palatable than taxes because participation is voluntary. Lotteries appear to be "money for nothing"—a windfall both for the state and for the winners. State governments have, in addition, at least two secondary goals when introducing a lottery (Rychlak 1992). One of these is to prevent the loss of revenue to neighboring lottery states. The other is to compete with, and even supplant, illegal gambling. All three of these goals have met with mixed success.

As to the primary goal, lotteries do succeed in raising revenue without raising taxes (NGISC 1999). However, while lotteries were initially perceived as fiscal saviors, they have not generated the anticipated revenue. Furthermore, ticket sales can be erratic over time, making the lottery an undependable, unstable source of revenue (Mikesell and Zorn 1986). If the lottery is framed by policymakers as a substitute for taxation, the image is misleading. While participation is voluntary, the lottery is a tax in most senses of the term. Lotteries, in fact, do not provide free money. They are redistributive, transferring funds from those who purchase tickets to the state and to a few winning players. Thus, lotteries are, in effect, a form of regressive tax, Like the sales taxes, they collect a flat percentage from all sales. People at low- and high-income levels purchasing the same number of lottery tickets are disproportionately affected. The same raw amount is transferred to the state, but a higher percentage of the low-income person's wealth is reduced.

The lottery is an inefficient means of "converting individual contributions into works of collective good." (Gearey 1997, 19). "On average," because of payouts and administrative and advertising costs, "only 34 cents of every dollar spent on a state lottery actually makes its way into a state treasury" (ibid.). Additionally, the lottery is not a reliable form of revenue collection. Revenues from year to year are difficult to project. When a lottery is first implemented in a state, there is intensive play and thus substantial lottery ticket sales and revenues (Mikesell and Zorn 1986). In states whose neighbors do not have a lottery, nonresidents cross the border to play, which increases the overall take. As the novelty wears off, however, total play decreases. This effect is exacerbated when a neighboring former nonlottery state implements a lottery or some other form of gambling. Citizens no longer need to take their lottery dollars to the original lottery state.

Education is unquestionably the most popular single funding area for lotteries, yet it is doubtful whether the lottery has truly enhanced education.

There is a popular perception that lotteries have generated massive revenue for states, but in the late 1980s, lottery revenues did not account for more than 5 percent of the budget in any lottery state (Moran 1997). In 1997, the contribution of lottery revenue to the state budget ranged from 0.41 percent in New Mexico to 4.07 percent in Georgia (Clotfelter et al. 1999).

A subcategory of the goal of raising revenue is collecting funds for specific purposes. Pierce and Miller (1999) followed Berry and Berry (1990) in their own study of lottery adoption. They hypothesized that states could lower the barriers against establishing a lottery by proposing to earmark lottery funds for education. This hypothesis was confirmed. Because education is a powerful and universally popular symbol, there is much less resistance against a lottery designed to serve this cause as opposed to augmenting the state's general fund. The serving of a worthy cause mitigates resistance to the "evil" of gambling. It is difficult for policy entrepreneurs to develop an attractive symbol for an indeterminate general fund. Earmarking is common. Currently sixteen states designate all or part of their lottery profits for education; twelve states dedicate funds to other programs or combinations of programs (NGISC 1999). Only ten states place revenues into a general fund. Education is unquestionably the most popular single funding area for lotteries, yet it is doubtful whether the lottery has truly enhanced education.

In Florida, the lottery helps to fund public schools, community colleges, and universities. The popular Bright Futures Scholarship Program is a symbol of the state's lottery. In the ten years after the lottery was passed in 1986, it generated more than $7.8 billion for education (Stanley and French 2003). Georgia, with its popular HOPE Scholarship, is another state promoting the education connection. The state's lottery was implemented in 1993, with its revenues dedicated to education. Profits in

1995 alone earned $85 million for scholarships, sending more than 100,000 students to college. The program has also funded prekindergarten and close to $100 million in computer equipment for the state university system (Stanley and French 2003). Kentucky is another southern state that promotes the success of its lottery. It has a scholarship program similar to Florida's and Georgia's, but also allots revenues to Vietnam veterans and to a general fund (Stanley and French 2003).

In spite of all this apparent benefit to education, the educational "bonus" appears to be nonexistent. Miller and Pierce (1997) studied the short- and long-term effects of education lotteries. They found that lottery states did indeed increase per-capita spending on education during the lottery's early years. However, after some time these states actually decreased their overall spending on education. In contrast, states without lotteries increased education spending over time. In fact, nonlottery states spend, on average, 10 percent more of their budgets on education than lottery states (Gearey 1997). The phenomenon of fungibility is common. Spindler (1995) studied the lotteries of New York, New Hampshire, Ohio, Michigan, California, and Montana in order to determine the revenue impact on education. He found that revenue dedication is a shell game. In earmarking states, lottery revenues served as substitutes for general fund expenditures. Even when expenditures for education (or some other earmarked purpose) exceed available lottery revenues, it is difficult to prevent state legislatures from funneling general revenues away from education (Clotfelter et al. 1999). Therefore, the purpose of earmarking is thwarted. Additionally, states may find it difficult to rally support for education funding because of the perception that schools are well funded with lottery revenues.

The Florida state legislature has transferred nonlottery monies previously designated for education to other purposes. The share of the budget appropriated for education decreased more than 5 percent in the first decade after the lottery began in 1986 (NEA 1997). The legislature is not even legally required to benefit education with lottery profits. Earmarking, whether legally prescribed or not, entails the danger that educational expenses may not be covered. In yet another study, Stanley and French (2003) found that the lottery does not provide a net benefit to education. Lotteries are not providing the additional education benefits that were intended. In sum, empirical research has discredited the claim that lotteries help education.

In addition to the primary goal of raising revenue without increasing taxes, lotteries often have two secondary goals, as mentioned above. One of these is to make states competitive with neighboring states that have already adopted lotteries. State governments are loath to see potential revenues leaving their jurisdiction, as is the case when citizens cross the border to purchase lottery tickets. This concern has led to a ripple effect, in no small way resulting in the adoption of lotteries across the nation. States have often succeeded in achieving this aim, but perhaps not to the extent planned (Rychlak 1992). Before 1989, Indiana had no lottery, whereas its neighbors did. After the state implemented its own lottery in 1989, 11 percent fewer residents played out of state, but 13 percent of residents continued to play outside Indiana (Pirog-Good and Mikesell 1995).

The goal of competing with illegal gambling has met with equally mixed success. This aim, if met, would mean that illegal gambling would decrease on a dollar-for-dollar basis when citizens played the legal lottery. For example, the introduction of lotto, in which customers can select their own numbers, was a means for competing directly against illegal numbers games (Clotfelter and Cook 1990). Ideally, then, lottery profits would benefit the state (and thus its citizens) rather than organized crime. However, using the example of Indiana once more, state police and the prosecuting attorney's office have indicated that the introduction of the lottery decreased illegal gambling little if at all (Pirog-Good and Mikesell 1995). There is evidence that numbers rackets continue elsewhere, too, including New York, New Jersey, and the District of Columbia (Moran 1997). In April, authorities in the Detroit area seized $2.2 million from an illegal thirty-year family-run lottery (Bodipo-Memba 2004). Illegal games survive because they offer better odds of winning, make credit available to regular customers, and offer tax-free winnings. According to Clotfelter and Cook (1990), state lotteries have increased participation in commercial gambling, both legal and illegal.

In summary, the state-sponsored lottery has achieved mixed success with its three goals. It has raised revenue without raising taxes, yet in doing so it is regressive and inefficient. Furthermore, lottery sales have declined in some states, and net benefits to education are minimal if not nonexistent. As to the second goal, some newly implementing states have stemmed the flow of lottery revenues to established lottery states, but there is evidence that out-of-state play persists. With regard to the final goal, competing with illegal gambling, illicit numbers games are still in operation. Regardless of whether they achieve these self-established goals, there are other measures on which to evaluate lotteries. A primary concern is who plays.

Demographics: Who Are the Players, and Why Do They Play?

Lottery play is the most widespread form of gambling in the United States (NGISC 1999). There are a number of reasons why people gamble. In some cases, gambling involves challenging one's intellect and abilities. In the case of the lottery, however, no skill is involved. Another proposed reason is to obtain an outlet from the regimentation and dullness of daily life (Caillois, as cited in Moran 1997). Others suggest that gambling is perceived as a method of achieving success in an unconventional way (Moran 1997). Still others see it as a symptom of individual alienation. Goffman (as cited in Moran 1997) posited that risk taking and action are common motivators for gamblers. Other reasons include the amusement, potential reward, enjoyment, excitement, and challenge. In the case, specifically, of the lottery, commonly cited reasons include "to make money" and "to get rich" (Moran 1997). Inherent in these motivators is the desire to acquire wealth quickly and without the effort of working. A secondary reason why some players play is the feeling that they are supporting education or another public service (Clotfelter and Cook 1990). Finally, pathological gamblers are driven to play by an uncontrollable compulsion.

The lottery is the only form of commercial gambling that many Americans have played (NGISC 1999). A recent national survey found that 66 percent of Americans had played the lottery in the past year (Welte, Barnes, Wieczorek, Tidwell, and Parker 2002). Thirteen percent played weekly. Not surprisingly, a small percentage of players accounted for the majority of all sales (Clotfelter and Cook 1990). Those who participate play thirty-four times a year, on average. In terms of player income, a late-1980s Duke University study determined that the poorest third of households purchased more than half of all weekly lottery tickets sold (Moran 1997). Other research indicates that the top 5 percent of lottery players account for 51 percent of total lottery sales (NGISC 1999). As mentioned above, if players at all income levels spent equally on the lottery in terms of raw dollars, the lottery would be regressive because it would take a higher percentage of the lower-income players' income. A recent study found that those in the lowest fifth by socioeconomic status spent an average of $400 per year, whereas the upper fifth played an average of $176 per year (Welte et al. 2002). Thus the lottery has a double-regressivity feature. This regressivity has been confirmed by other studies reflecting that people with higher incomes spend a significantly lower percentage of their income on the lottery (Herring and Bledsoe 1994).

With regard to the racial profile of lottery players, Hispanics in the West and African Americans in the East play more than non-Hispanic whites (Clotfelter and Cook 1990). Other studies, such as that of Price and Novak (2000), have found more play by Hispanics and African Americans overall. A recent survey found that African Americans had a lower rate of lottery play, but those who did play spent more money than members of other groups (Welte et al. 2002). In fact, Clotfelter et al. (1999) found that African Americans spend five times as much as whites on lottery tickets. In terms of gender, men play the lottery more than women (Clotfelter and Cook 1990), although this gap appears to be narrowing (Welte et al. 2002). Education is an additional determinant of play. Lottery play falls with formal education. Instant game play, in particular, reflects this relationship (Price and Novak 2000). High school dropouts spend four times as much on lottery tickets as college graduates (NGISC 1999).

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There are, as well, age effects on lottery participation. People of middle age play more than younger people or those of retirement age (Clotfelter and Cook 1990). For those who play regularly, the money spent on the lottery increases with age (Welte et al. 2002). While the sale of tickets to minors is illegal, underage people still manage to play. A survey of fifteen- to eighteen-year-olds in Minnesota found that 27 percent had purchased lottery tickets (NGISC 1999). Purchase rates were even higher in Louisiana, Texas, and Connecticut, ranging from 32 percent to 35 percent. Regarding religion, Catholics play more than Protestants (Clotfelter and Cook 1990). In general, those who attend religious services are less likely to play (Kallick-Kaufmann, as cited in Herring and Bledsoe 1994). Geographic findings reflect that the mid-Atlantic and New England states have the highest lottery play, while the South and West have the lowest (Welte et al. 2002). There is also a relationship between marital status and lottery play. An Indiana study found that single and divorced people are more likely to play the lottery than those who are married, widowed, or cohabiting (Pirog-Good and Mikesell 1995).

Of course, many people can and do play the lottery or otherwise gamble with few ill effects. The median player spends $75 per year on the lottery, presumably without significantly harming the family's economic situation (Clotfelter et al. 1999). The National Gambling Impact Study Commission (NGISC 1999, 1-1) reported that most Americans who gamble do so recreationally "and experience no measurable side effects." The commission estimated that 117.5 million American adult gamblers from a total 125 million gamblers did not suffer negative outcomes from their participation.

Some players are pathological gamblers, however. Welte et al. (2002) found that males were more likely to be problem gamblers than women; African Americans, Hispanics, and Asians more likely than whites; and members of lower socioeconomic strata more likely than members of higher socioeconomic strata. While these results refer generally to problem gamblers, it is possible to infer the demographics with regard to pathological players. A 1998 Montana study found that problem and pathological gamblers account for 18 percent of lottery scratch-ticket purchases (NGISC 1999). A multitude of social problems is associated with pathological gambling, as with any addiction. These problems include crime, debt, damaged relationships with family and friends, and suicide (NRC 1999). Iowa, Minnesota, Maryland, and other states have implemented gambling-addiction programs to combat the compulsion that in some cases accompanies lottery play (Moran 1997). The funding for these programs, however, amounts to only 0.01 percent of the total the states receive from gambling, including the lottery (NGISC 1999).

It is clear that the lottery's demographic is skewed toward minorities, the less educated, and the poverty-stricken—those with the least ability to pay for lottery tickets. The lottery has achieved mixed success with its major goals and targets the disadvantaged. Yet this legalized form of gambling is not only regulated by the state, it is state-sponsored. What does this state sponsorship entail?

The States' Roles

From the time of the first modern-day legitimate state lottery in New Hampshire, states have implicitly and explicitly approved a form of gambling. Because the availability of gambling options increases participation, states have increased the rate of gambling via the lottery, and by extension, states have contributed to an increase in pathological gambling. In contrast with other functions of the state, the lottery is a for-profit venture. Whereas one purpose of the state operation of liquor stores is presumably to encourage temperance, states are clearly promoting lottery play. In order to promote lottery play, states use advertising, an especially controversial aspect of the state lottery. Such ads have evolved over the years from public-service announcements to more advanced marketing techniques (NGISC 1999). Some critics claim that lottery advertisements are targeted to African-American and lower-income citizens (Herring and Bledsoe 1994). Others charge that the ads are aimed at youth (NGISC 1999). In 1997, total state expenditures on lottery promotion and advertising were approximately $400 million (NGISC 1999). The ads work. A study of lottery advertisements (Clotfelter and Cook 1990) found very little objective information about the possibility of winning, but the ads commonly mentioned the dollar amounts of prizes, especially the largest prizes. The possibility of winning was emphasized. Some ads appeal to a desire to do good by highlighting the purported benefits to education or other public purposes. Other typical criticisms note that lottery ads emphasize luck rather than hard work, instant gratification over sound investment, and entertainment over savings (NGISC 1999). As agencies of government, lotteries are not subject to federal truth-in-advertising standards (NGISC 1999). Some states, including Virginia, Minnesota, and Wisconsin, have banned lottery advertisements that encourage people to play, and the National Gambling

Impact Study Commission recommended that states follow enforceable advertising guidelines (NGISC 1999).

The state has a monopoly on the lottery. There are no legal competitors. Lottery states tend to have similar regulatory structures (NGISC 1999). Lottery agencies generally report to elected state officials. Lottery directors are naturally under pressure to maintain or increase revenues. States determine where lottery tickets will be sold, and this has led to specific criticisms about the state's role in the lottery. There is evidence that lottery vendors are more prevalent in lower-income neighborhoods (Nibert, as cited in Cosgrave and Klassen 2001). The *Boston Globe* reported in 1997 that there was one lottery vendor per 363 residents in Chelsea, a low-income Boston suburb, compared with one vendor per 3,063 residents in Wellesley, a very affluent area (Gearey 1997). The differences in per capita annual lottery expenditure were striking: $915 in Chelsea, $30 in Wellesley.

Although the state is "the only game in town," private companies actually run the lotteries. There are two such companies, GTECH and Automated Wagering International. GTECH has the vast majority of state contracts. One of the original arguments for legalizing lotteries was to fight corruption, but several charges of corruption have been leveled at GTECH. Company officials or associates have been under investigation and convicted for such crimes as fraud, money laundering, and racketeering (Gearey 1997). GTECH has also been accused of attempting to intimidate foes in order to suppress unflattering news coverage and influence unfriendly state governments.

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The lottery's policy failures, as identified above, include mixed success with goal achievement, inequitable demographics, and the questionable role of the state. Ultimately, however, policy failure is only one side of the equation. The state-sponsored lottery must also be judged on the basis of ethics.

Ethical Failure

Objections to the Lottery: A Question of American Values

No wide-scale prohibition movement has developed during this latest period of lottery legitimacy. Resistance to gambling has instead focused on specific forms of gambling, such as casinos and electronic video terminals. Nonetheless, objections do exist. This paper has described the state practice of promoting lottery revenues as supplemental rather than replacement funds. The lottery is an inefficient means of revenue generation and does not benefit those it is supposed to help, in the way intended. Furthermore, the lottery may contribute to citizen distrust of government. Other negative factors associated with the lottery are its regressivity, inequity with regard to demographics of play, improper advertisement and promotion, possible corruption, and increase in pathological gambling. There are also objections on moral and religious grounds.

American social attitudes toward gambling, despite the early existence of legal lotteries, were traditionally negative. The Puritan values on which the country was founded helped to shape moral views of gambling. With the exception of the lottery during historical periods of legality, gambling was traditionally an unofficial, covert activity (Cosgrave and Klassen 2001). The state legitimation of gambling reflects and is a possible driver of changed American values. Where bedrock national values emphasized hard work, frugality, and saving, "economic morality is no longer subjected to social or religious ethics" (Cosgrave and Klassen 2001, 6). Cash is king, and with state-supported gambling, certain taboos have been removed. State regulation reduces the need for a religious or moral decision formula. If the state deems this formerly odious activity to be acceptable, even favorable, fundamental ethical objections may not be sufficiently debated.

Ethical Decision-Making

What do ethical decision formulas reveal about the ethics of the state lottery? Four individual frameworks, plus an integrated one, are discussed here.

Teleology and its subtheory, utilitarianism, assert that every action should have the goal of promoting the greatest happiness. Happiness is an important concept in American culture and is even guaranteed in the Declaration of Independence. The only members of society whose happiness might be increased by a lottery are the winners, a minuscule percentage of those playing. While nonwinning players might experience enjoyment from their participation, happiness in the teleological sense is probably not applicable. Furthermore, there are numerous anecdotes of the misery that lottery "success" has visited upon winners, in terms of strained friendships, disrupted working lives, and unwanted media attention. In the teleological perspective, the ends justify the means. Yet, as demonstrated above, the lottery's ends are generally no net gain to society and, in fact, frequently a net loss. Clearly, happiness is not maximized with a state-sponsored lottery.

In deontological ethics, consequences are immaterial and the means must be considered. The means, in the case of the lottery, are the state's promotion and regulation of a regressive form of taxation. Even if one assumes that the ends of the lottery are ethical, the method of attaining them is not. The principle matters. Regressive taxation, demographic inequity, corruption, and pathology do not individually or collectively constitute a valid universal principle.

Virtue theory posits that an act should be judged based on the character trait or virtue that it reflects. An action may personify courage, generosity, honesty, wisdom, or love, for example. On the other hand, it may exemplify cowardice, miserliness, dishonesty, ignorance, or hate. In virtue ethics, the effect of the action on the character of the actor and others is of vital importance. The state's act of legitimizing the lottery clearly does not evidence any ethical character traits or virtues. In fact, the characteristics of its action instead reflect avarice. The glorification of the lottery reflects consumerism. By sponsoring the lottery, the state actually encourages these same traits in the state's citizens.

Intuitionism relies on visceral moral reactions to an act. It assumes that humans have a functioning internal ethical compass. History may reflect otherwise, however, and individual moral senses vary. The lottery may be intuitively ethical to those unaware of its negative consequences, especially the consequences for those most disadvantaged in our society. Relying on internal moral sensitivity in this instance is problematic. There is a place for intuition in judging an act ethical or unethical, but intuition alone cannot be relied upon.

The foregoing fact is considered in the unified ethic discussed by Geuras and Garofalo (2002). They propose that neither teleology, deontology, virtue theory, nor intuition, if used alone, is a sufficient ethical framework for sound decision-making. Rather, all four should be integrated in a cohesive ethical-decision calculus. If, following their view, one combines considerations of consequences, principles, conscience, and virtue, the state lottery does not pass the “smell test.”

Conclusion

Proponents of the lottery argue that it is a relatively painless means of generating revenue and that prohibiting so-called vices such as alcohol and gambling does not work. They point out, accurately, that the majority of Americans are able to bet on their lucky numbers every week—$1 here, $1 there—with few dire consequences. They maintain, further, that there is no irrefutable empirical evidence that personal expenditures for lottery tickets would otherwise be applied to education or other lofty purposes.

Ultimately, these arguments ring hollow. Should government sponsor such an activity, especially in light of the negative outcome for most citizens? The lottery is not free money for anyone involved. Principled government cannot raise revenue with inequitable means and remain principled. Compared against the four ethical decision standards combined into a unified decision ethic, the state-sponsored lottery does not meet any standard to support its existence for the greater public good. The lottery is a failure of both policy and ethics.

Short of outlawing the state-sponsored lottery, states can increase the lottery’s accountability as a partial or interim step. For example, Minnesota has weathered a series of lottery scandals, including the suicide of its lottery director, George Andersen, after he met with the state legislative auditor about an upcoming audit (“State Lottery” 2004). This incident and the negative results of the audit, later released, propelled the state senate to pass a bill calling for greater oversight of the lottery. Among other accountability measures, the bill established a task force to review the lottery organization.

The National Gambling Impact Study Commission (NGISC 1999) made several recommendations to mitigate the negative effects of legal gambling. Some of these proposals would specifically affect state-sponsored lotteries:

- Restrict legal gambling to those twenty-one years of age or older.
- Post warnings about gambling’s dangers and risks at gambling facilities.
- Subject all lottery contractors to rigorous background checks and licensing.
- Develop lottery “best practices” in every lottery state.
- Prohibit instant lottery games that simulate live card and other casino-type games.
- Prohibit aggressive lottery advertising.
- Assign a federal agency to collect data about lottery operations.

- Prohibit lottery employees from working for lottery suppliers for one year after leaving government.
- Restrict the amount of lottery advertising and the number of lottery ticket outlets in low-income neighborhoods.
- Restrict the adoption of new lottery games.

As Pavalko (2004) reported in this journal, the NGISC's recommendations have not been implemented to a meaningful degree, especially with regard to problem gambling. Moreover, the recommended strategies, while sound, are aimed at taming rather than slaying the dragon. Although it may seem prohibitive for states to completely extricate themselves from the lottery trap, it is possible. States can do so by way of citizen or legislator referendum or legislator-proposed statute. As for the revenue issue, ethical fiscal policy relies on progressive taxation, such as the graduated income tax, and reduced spending where possible, rather than on tainted lottery money.

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