

Ends and Means in State Lotteries: The Importance of a Good Cause

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Lottery gambling is a problematic activity: those opposed to gambling on moral grounds object to government sponsorship in this form; revenues raised from them have distributional patterns similar to regressive taxes; and, like other forms of widely available commercial gambling, they create economic and personal difficulties for the small portion of the population who are problem gamblers. Yet lotteries are nonetheless sponsored by 43 U.S. states and over 100 countries. The deal that typically has been struck in the U.S. is that the lottery revenue will be dedicated to good public causes. This virtuous end thus serves to justify the dubious means. Almost never are state lotteries seen as a public service. The closest that proponents might come to justifying lotteries in this way is the argument that people will gamble anyway, so government might as well take advantage of this predilection by making money on it.

It is striking how different is the government's accommodation to lotteries, as summarized in this deal, from the ways that government has dealt with other problematic activities. For example, the states that have monopolies over the distribution of liquor run that business primarily as a public service rather than as a revenue source. Another example is other forms of commercial gambling, where some states license certain operations and collect revenue without worrying too much about the virtuous uses to which such collections will be used. Still another set of problematic activities have generally not been legalized – among them, marijuana, prostitution, cockfighting – although states could raise money for good causes by legalizing and heavily taxing them. What are the limits when it comes to public provision of “soft-core” vices?

It is second nature in the utilitarian realm of normative economics to think about tradeoffs, such as in these cases, between the costs associated with legalizing and perhaps operating problematic activities and the benefits to be derived from the revenue their taxation would make possible. This realm is a natural setting for debating the classic ends-versus-means question. (As a saying goes, if the ends don't justify the means, what does?) But we wonder why this question arises with such force in the particular context of problematic activities and how far it could be pushed. In the case of lotteries, the ends-and-means tension extends beyond the question of legalization. Once a lottery is in place, the amount of revenue it generates depends largely on how it is marketed. Do the “ends” of more revenue justify aggressive or deceptive marketing efforts? Do they justify advertising that emphasizes the virtuous use of the funds (if indeed it can be honestly argued that the funds will be used in this way)? And why have the states – up to now – created lotteries as public agencies, rather than license one or more private providers. Wouldn't privatization ease the moral liability of the state government?

We will seek to address these questions with particular attention to alternative theories of the public interest and proper role of government, with an eye toward historical precedents and current methods of lottery operation, including a close examination of the themes used in advertising campaigns. In addition to addressing questions at a general level, our analysis should

shed light on several current policy questions, including proposals to sell state lotteries to private companies, themes used in lottery advertising, the adoption of potentially popular and addictive products such as keno and video lottery games, modifying the earmarking of revenues, and changing the payout rate of lottery games.