1. **Mark your confusion.**
2. **Show evidence of a close reading.**
3. **Write a 1+ page reflection.**

Addicted to Lotteries

The Week, February 7, 2016

The nation was recently in a frenzy over a $1 billion Powerball jackpot. But are lotteries just a tax in disguise?

What are the chances you'll win?

Infinitesimally small. Ticket holders in the multistate Powerball lottery, for example, have a 1 in 292,201,338 chance of winning the jackpot. That's like putting into a hat the names of nearly everyone in the U.S. and hoping your name is pulled out. Yet the fantasy of getting rich quick is too tempting for many of us to resist. About half of Americans have played the lottery at least once. With a growing array of prize draws, electronic games, and scratch cards available, sales in the 43 state lotteries totaled $70 billion in 2014, or $300 per every American adult—more than was spent on video games, movie tickets, books, and sporting events combined. But there is a huge disparity in how much people spend. Fifty-four percent of ticket sales come from 5 percent of players, who tend to be poor and uneducated. "The hope of getting out of poverty encourages people to continue to buy tickets," says Emily Haisley, an expert in financial decision making. "Buying lottery tickets exacerbates the very poverty that purchasers are hoping to escape."

Where does the lottery money go?

In most states about 60 percent of ticket revenue goes to the jackpot, and the winners generally must surrender more than 40 percent of the prize money to federal, state, and local income taxes. Of the remaining revenues, the lottery company takes a small share; so, too, do the ticket retailers. The rest—typically about 25 to 30 percent—goes into the state's coffers. State officials like to tell the public that lottery revenues are plowed into education, but the reality is that state governments use lottery proceeds not to increase what they spend on schools and teachers, but as an additional funding source for their overall budgets. The money that would have been spent on education had there been no lottery cash is simply spent on other things. In fact, the few states that don't have lotteries spend on average 10 percent *more* of their budgets on education. That's why critics say the lottery is "a shell game" and a "tax on stupidity"—and a regressive tax at that.

Why is it regressive?

Because the poor and less educated spend a much larger proportion of their income on tickets than the rich. A 1999 Duke University study found that people with household incomes below $25,000 spend an average of $583 a year on the lottery, compared with just $289 for those who make more than $100,000 a year. The education divide is even more pronounced: College dropouts spend about $700; people with degrees only $178. While the lotteries spend millions promoting their games as harmless entertainment and encouraging people to imagine themselves quitting their jobs and buying mansions—"Hey, you never know," reads the New York lottery's tagline—studies show that poorer players are 25 percent more likely than richer players to consider a ticket a genuine investment, and to vastly overestimate their chance of winning. Ticket sales in 25 state lotteries spiked during the recent recession. "They're playing this to try and get back to some status," says Cornell University economist David Just. "[They] see this as their best chance of doing so."

Are the winners happy?

Not always. Winners are often unprepared for the challenges that follow getting a big windfall, and can find themselves swamped by friends and relatives demanding loans or gifts, and financial "advisers" offering bad investment opportunities. "I had to endure the greed and the need that people have, trying to get you to release your money to them," said Sandra Hayes, who was one of several people splitting a $224 million prize in Missouri. Several studies suggest that lottery winners are disproportionately likely to wind up bankrupt. In some cases, winners' lives are completely ruined by their sudden wealth. West Virginia businessman Jack Whittaker was already a millionaire when he won $315 million in 2002; in the years that followed, he was robbed several times, split from his wife, and lost his granddaughter to a drug overdose. "I wish we had torn the ticket up," he said.

What do defenders of the lotteries say?

They argue that a voluntary payment cannot be considered a tax, and that lotteries offer players a chance to escape the humdrum reality of everyday life. "It's a cheap way to buy a license to fantasize," says George Loewenstein, a professor of economics and psychology at Carnegie Mellon University. But critics charge that while governments usually spend money trying to stop people from escaping reality in self-destructive ways—advising against excessive alcohol consumption, for example—they actively encourage the poor to spend precious money on lotteries. Ultimately, though, lottery income has become such an integral part of states' budgets that lawmakers would consider it political suicide to do anything that would reduce that revenue stream. "The problem with lotteries," says state tax expert David Brunori, "is that politicians don't view them as a tax, they view them as victimless sources of revenue."

Possible Response Questions:

- Is it fair to call lotteries a tax on the poor? Explain.
- Pick a passage and respond to it.