Book review

The American Economist
2024, Vol. 0(0) 1–5

journals.sagepub.com/home/aex
Sage

Cohen, J.D. (2022). *For a Dollar and a Dream: State Lotteries in Modern America*. New York, NY: Oxford University Press. 288 pp. $34.99. ISBN 978-0-19-760488-5

Reviewed by: Douglas M. Walker, *College of Charleston, Charleston, SC, USA*
DOI: 10.1177/05694345241266677

Forty-five of the 50 U.S. states now have state-run lotteries. With 2022 total sales of around $108 billion, lotteries are the most common form of legal gambling in the United States.[1] Lotteries frequently headline news when the multi-state lotteries, Powerball and Mega Millions, have prizes surpassing $1 billion. Yet, their existence is the result of decades of constantly shifting political, economic, and cultural landscapes particularly in the 1970s and 80s, but continuing through the 2000s, when many of the Southern states legalized lotteries.

Cohen's *For a Dollar and a Dream* guides the reader through the many twists of the lottery's development as only a historian could. This makes the book quite enjoyable to read. Each chapter is a coherent stand-alone discussion. Scattered throughout the book are interesting anecdotes and excerpts from interviews from policymakers, lottery players, detractors, and other interested parties that illuminate the growth of state lotteries. The overall focus, though, is on how long-term changes in U.S. politics, socioeconomics, demographics, and culture led to almost all the states offering a lottery. And although Cohen's writing is quite a bit better than many economists', the book does lack some elements that economists would consider fundamental in a comprehensive discussion of lotteries. For example, although Cohen presents a graph of aggregate U.S. lottery sales over time, he does not accompany the graph with revenue data for each state. These additional data might provide an interesting overview of the spread, growth, and inter-state relationships of individual state lotteries. Then again, one might argue that including additional tables and graphs would diminish the style of the book. Overall, the book is a very interesting discussion of state lotteries in the United States. It provides a nice overview of the societal changes that led to the United States becoming a "lottery nation." While Clotfelter and Cook's classic, *Selling Hope* (1991), provides a comprehensive economics-focused discussion, Cohen's book is a more rounded discussion which most non-economist readers would likely prefer.

The introduction touches on the topics to be discussed in more detail later in the book and provides a concise overview of U.S. lotteries. If a reader just wants a quick explanation of how we came to have lotteries in most states, they could stop reading after the book's introduction. The rest of the book, however, provides valuable and interesting details and insights.

In the first chapter, Cohen opens his discussion of the modern era of lottery development by focusing on New Jersey's establishment of its state lottery. Although New Hampshire introduced the first state lottery in March 1964, and New York followed in 1967 (p. 20), the focus on New Jersey, albeit an unconventional choice, allows Cohen to show how the experiences of the earlier adopters inform officials in New Jersey in the run-up to its lottery's inauguration in December 1970 (p. 38).

Facets of New Jersey's public finance and political landscape in the 1960s created a favorable environment for the lottery. In 1966, New Jersey was one of only three states without an income or sales tax (p. 22). Much of the state's tax revenue came from excise taxes on cigarettes and gasoline, as well as corporate income taxes (p. 22). But property taxes were relatively high. "A middle-income New Jersey homeowner paid more in property taxes than a New Yorker with the same income paid in property, income, and sales taxes combined" (p. 23). Despite the high property taxes, New Jersey was receiving the lowest percentage of combined state and local taxes in the country. Understandably, the New Jersey state government was spending less per resident than any other state in 1967 (p. 22).

State government spending, however, was facing continuous upward pressure, and voters came to expect new state government services. For example, the state's Medicaid program was set to begin in 1970, but there were no other revenue sources in sight. A 3% sales tax passed in 1966 was insufficient to fill the gap between anticipated spending and revenues (p. 27).

In addition to economic conditions, cultural factors were an important component of New Jersey's decision to adopt the lottery. Cohen describes how many lottery proponents expected the lottery to crowd-out illegal gambling. First, politicians had long-standing concerns with the influence of the "mafia" which was a major provider of gambling opportunities on horse racing and sporting events (p. 30). New Jersey officials estimated that illegal gambling provided $100 million in annual profit for the mob from Newark residents alone (p. 31). It was hoped that the lottery could do what years of police enforcement had not done: "eliminate the crime syndicate" (p. 34). Second, "numbers" games, which were pervasive and popular among black urban residents (p. 32), were also expected to be absorbed by a state-sponsored lottery.[2] Third, suburbanites, who were mostly white, strongly opposed higher taxes, so the lottery looked like a good way to fund increasing government services without increasing already high taxes. Cohen provides a nice overview of New Jersey's lead-up to introducing lotteries and casinos—mostly from the State's perspective. He clearly understands that politicians dislike tax increases and spending cuts (p. 8), so "optional" taxes on legal gambling provide a potential way to reduce fiscal stress.[3] Yet, Cohen's discussion of why government spending was increasing and the political debate over potential spending cuts is very thin. As a result, the chapter seems unbalanced, though is still informative and interesting.

In chapter 2, Cohen provides the players' perspectives of the lottery. Through numerous examples, anecdotes, and quotes from lottery winners and losers, he focuses on the cultural relationship between lotteries and meritocracy and perspectives on luck and religion. Cohen explains how the lottery upends the ideal of America as a meritocracy, where "both rich and poor deserve their lot" (p. 50). Many people thought (and still think) that gambling is immoral, and the lottery is seen by many as a "stupid tax" (p. 4) because of the astronomical odds against winning a life-changing jackpot. Yet, for many lower-income Americans, the lottery may still be seen as the only legal way to change one's economic standing in society. "Since the earliest days of the republic, games of chance offered alternative means of upward mobility for those unable or unwilling to navigate the traditional meritocracy" (p. 52).

Cohen's discussion of luck and religion complements the demographic and statistical realities of lotteries. While few lottery players can demonstrate how to calculate the probability of winning the Powerball jackpot (1 in 292.2 million), they arguably understand the lottery is a gamble based on probability. Anyone buying a Powerball or Mega Millions ticket knows it is a longshot. A large chunk of chapter 2 discusses how, after a big lottery win, many players reframe their understanding of *why* they won. Cohen writes, "Instead of acknowledging that they had gotten extremely lucky, these winners constructed retrospective theological narratives that erased luck, framing their windfall instead as the product of a supernatural miracle and divine interposition" (p. 49). One possible explanation for lottery winners attributing their win to God is that it helps the winner to feel deserving of their jackpot (p. 60).

Cohen aligns the popularity of lotteries in the United States with the "prosperity gospel."[4] A religious explanation for winning a lottery jackpot and prosperity gospel could "affirm the providential nature of financial success" (p. 65). Overall, this chapter is fascinating because it introduces non-economic motivations that help explain the popularity of lotteries in the United States.

Chapter 3 returns to a discussion of the political aspects of lottery adoption. Cohen shifts his focus to western states, California in particular, but also Arizona and Oregon. As was true in New Jersey, fiscal stress (tax revenue not keeping up with government spending) explains the basic appeal of lotteries as a supplemental revenue source for government. The chapter discusses a variety of political idiosyncrasies in different states, but the most interesting discussion is on the introduction of ballot initiatives and the role played by one company in particular, Scientific Games.

Ballot initiatives enable citizens to place a referendum on a state's ballot if the initiative garners a certain number of signatures (p. 81). Cohen explains that between 1898 and 1918, 24 mostly western and mid-western states legalized some type of initiative process. The purpose was to ensure citizens could have some direct input on legislation, rather than having laws generated only by "corporations or the political elite." Ballot initiatives were not common until the 1980s, when they became "increasingly a tool for corporations seeking industry-friendly legislation" (p. 81).

Scientific Games (SG)[5] is an Atlanta-based company created in 1973. Cohen attributes much of the lottery's spread in the West to Scientific Games. Specifically, Cohen explains how SG began using the ballot initiative process to get lotteries approved. The company hired "signature gathering" firms to solicit the signatures needed for lottery initiatives to appear on state ballots (pp. 83-84). In addition, SG hired lawyers to write boiler-plate legislation enabling the lottery, complete with stringent requirements for lottery vendors—requirements that SG could easily meet but most other firms could not (pp. 84-85).

Of note, SG invented the U.S. "scratch off" (instant) lottery ticket, which was first sold in Massachusetts in 1974 (pp. 78-79). Cohen explains that the motivation behind scratch-offs was to shorten the time a lottery player had to wait to see the outcome of their bet. In addition, he notes that scratch-off tickets appeal to players because the player has the "illusion of control." The "near miss" was also intentionally a part of instant tickets, which would inspire players to try again. Near misses are an important focus of current gambling research.

Cohen juxtaposes his discussion of the relatively small payout instant games with the large-scale multi-state lottery games. Anyone who has ever played Powerball or Mega Millions has probably heard the lottery slogan, "Somebody's gotta win, might as well be me" (p. 121). I was surprised to learn that this pitch was first said used 1907 (p. 232, note 34). This sentiment is typically voiced when one is discussing large jackpot lotteries, such as the record $2 billion Powerball jackpot won in 2022. In chapter 4, Cohen discusses various explanations for why multi-state lottery games were created during the 1980s. I will save for the reader one of the more colorful analogies Cohen concocts to describe just how unlikely it is to win one of these lotteries.

Large jackpot lotto games were first offered in 1978 in Massachusetts. Other states soon followed. In 1985, New Hampshire, Vermont, and Maine created the "Tri-State Lottery" to compete with Massachusetts, which attracted many out-of-state players because of its relatively large jackpots (p. 131). In 1987, more states joined, and the Multi-State Lottery Association was created (p. 132). Further expansion led to the creation of Powerball in 1992.

Cohen describes the recipe for the introduction and growth of multi-state lotto in the 1980s as a mix of technological advances, increasing socioeconomic inequality, lower mobility between classes, and a cultural shift that embraced affluence. He attributes this last factor to President Reagan, who, according to Cohen, represented an America obsessed with the type of extravagant wealth seen in shows like *Lifestyles of the Rich and Famous* and *Dallas*. While Cohen's argument that the lottery's popularity was spurred by unfettered greed is interesting, it could just as easily be explained by the larger jackpots, increasing per capita income, and the fact that lottery continues to be one of the only legal ways for most people to meaningfully change their wealth.

Chapter 5 focuses on lottery advertising, especially in Chicago and Illinois. Cohen highlights the conundrum state governments face when promoting lotteries. As with previous chapters, Cohen uses a variety of examples, quotes, and anecdotes to illustrate the many concerns over lottery advertising. In short, many people have a concern that state lottery agencies target advertisements to low-income residents and minorities—people who can least afford to waste money. By the late 1980s, it was widely understood that the lottery is a regressive tax. Most politicians and voters apparently preferred to focus on the revenue lotteries raised and the programs they funded instead of the harms they might have perpetuated.

Among the other issues discussed are truth-in-advertising regulations (which do not apply to lotteries; p. 152), how the promotion of lotteries eventually became attached to specific programs (such as education), and a general discussion of the merits of legal gambling as a government policy. While chapter 5 is interesting, it is too long. The discussion could be equally effective in half the pages.

In chapter 6 Cohen turns his attention to lotteries in the southeast United States, with a detailed discussion of the political debate and passage of the Georgia lottery. As with lotteries in other states, there were unique political and cultural issues at play in Georgia. For example, the Georgia lottery was the first that funded merit-based college scholarships—the HOPE (Helping Outstanding Pupils Educationally) scholarship (p. 169). The HOPE scholarship remains incredibly popular with middle-class voters. As a result, Georgia's lottery became effectively regressive both on the revenue side—that lower-income individuals spend disproportionately on lottery—and on the expenditures side—much of the HOPE scholarship money goes to middle- and upper-class Georgia residents. By 1994, 95% of Georgia households were eligible for the HOPE scholarship (p. 191), but most of the recipients arguably did not need the subsidy because most college applicants were from relatively well-off families (p. 192). Cohen captures the unintended wealth transfer created by the pairing of the state lottery with college scholarships by describing the "HOPE mobile" phenomenon: Teens with sufficiently good grades to qualify for the HOPE scholarship are rewarded with a new car financed with the money their parents had saved for college tuition (p. 192).

In the concluding chapter, Cohen reviews some of the key issues. One important fact is that, as of 2020, lotteries are responsible for only 2.3% of state government revenues. Cohen portrays the lottery as a policy that has fallen short of everyone's revenue expectations. In practice, it is a tool politicians use at the margin; they can continue to spend more money on attractive programs without having to directly raise taxes. Still, Cohen makes a variety of policy recommendations that seem reasonable, though he provides no evidence that they would be effective.

I was struck by the fact that Cohen rarely considers that governments could cut spending in the face of financial shortfalls. He leaves the reader with the impression that governments must perpetually find ways to increase their revenues, thus making lotteries inevitable. Nonetheless, this is a great book if one wants to get a detailed understanding of several specific state lotteries, from the perspective of both politicians and voters. Most economists would have approached the subject with a more data-heavy discussion with fewer anecdotes and quotes from interviews. The difference makes this book a refreshing alternative to most purely economic analyses of lotteries.

Notes

1. https://www.statista.com/statistics/215265/sales-of-us-state-and-provincial-lotteries/
2. Most state lotteries now offer numbers games, typically in a “pick-3” or “pick-4” format, where numbers are drawn each day.
3. This issue has been addressed in the economics literature. For example, see Jackson et al. (1994).
4. Perhaps the best example of prosperity gospel is Robert Tilton, who at the height of his operation in Dallas in the 1980s was said to be receiving annual donations of $80 million.
5. In 2022, SG “split,” with the lottery branch retaining the SG name and Atlanta headquarters. “Light & Wonder” is the new casino-oriented products division, based in Las Vegas. See https://www.scientificgames.com/news/media-releases/scientific-games-lottery-congratulates-light-wonder-on-rebranding-announcement/.

References

Clotfelter, C. T., & Cook, P. J. (1991). *Selling hope: State lotteries in America*. Harvard University Press.

Jackson, J. D., Saurman, D. S., & Shughart, W. F. (1994). Instant winners: Legal change in transition and the diffusion of state lotteries. *Public Choice*, *80*(3-4), 245–263. https://doi.org/10.1007/bf01053219