

Gambling away our moral capital

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DURING the past generation, there has been a dramatic expansion of legalized gambling. Beginning with New Hampshire in 1964, 37 states and the District of Columbia have instituted lotteries. As recently as 1988, only two states allowed casino gambling. Today, 24 states do so, as do a number of Native American reservations. And gambling has become very big business. Total wagers reached nearly half a trillion dollars in 1994. Gross revenues from gambling have surged—to \$40 billion annually, from only \$10 billion a decade ago. Casino gambling has quadrupled; lottery revenues have registered a sixfold increase; and gambling on Indian reservations, nonexistent until the late 1980s, now brings in more than \$3 billion each year. State governments drain off about one-third of total lottery wagers to finance public-sector activities.

On one level, the trend toward increased gambling is not hard to explain. The instinct is deeply rooted in human nature. As far as historians and anthropologists can determine,

gambling has been found in all societies. Ours is no exception. Gambling was commonplace in America prior to, and long after, the Revolution.

Still, government tolerance for gambling dwindled during the first two-thirds of the twentieth century. From 1894 until 1964, lotteries were illegal in every state. However, certain developments over the past 30 years help account for a resurgence of state-sanctioned gambling in much of the United States.

One is economic stress, which has had a double effect. As millions of marginalized workers and their families have seen their incomes stagnate and the link weakened between effort and success, many have grown inclined to give increased weight to the role of luck or fate in determining social outcomes. In addition, communities that have witnessed the disappearance of their traditional industrial bases are willing to look for hope wherever they can find it.

A second key development is the rise of anti-government, anti-tax sentiment and a corresponding decline of belief that collective responsibility can override individual choice. For many, gambling is justified as a source of state revenue because it is voluntary, while the tax system is coercive.

Third, many on both the left and the right now harbor doubts about government as moral arbiter. If gambling is truly victimless, or if its harms are voluntarily accepted, why should the state prohibit it? Why shouldn't government content itself with taxing and regulating gambling in accordance with the prevailing understanding of the public interest?

The moral dimension

The expansion of gambling which followed from these developments can be considered in light of its economic utility or its moral propriety. As for the first, the jury is still out on legalized gambling as an economic development tool. Only Indian tribes and Nevada have indisputably benefited, and for a simple reason: They had very little to lose. The rest of the picture is clouded. After two decades of disappointment, gambling in Atlantic City has finally begun to produce some benefits (jobs, school improvements, moderate-priced housing) for the community. But a recent *U.S. News & World Report* sur-

vey indicates that counties accepting gambling in the early 1990s have done no better than those that did not. Meanwhile, casinos have gone belly-up in Mississippi, Iowa, Illinois, and Louisiana during the past 12 months.

Whatever the economic case may be, at least it has been studied and debated at length. By contrast, moral issues raised by state-sanctioned gambling have been relatively neglected. This is surprising: Throughout American history, until at least the 1970s, moral controversies took center stage. There are some early signs that moral concerns are making a comeback in the public arena; they may have contributed to the defeat of pro-gambling referenda in Florida and elsewhere. Nonetheless, these issues have not been carefully evaluated.

Now, as Congress heads toward a vote on creating a commission—supported by President Clinton—to study the spread of gambling, it's time to redress the balance. We shall argue that there are sound moral reasons, grounded in common sense, for objecting to the pell-mell embrace of legalized gambling, at least in its current form.

Government may adopt a range of stances toward a particular activity: at the one end, outright prohibition; at the other, active encouragement; in the middle, more or less grudging tolerance. During the past three decades, government's stance toward gambling has moved very rapidly from one extreme to the other. Starting from a posture of legal prohibition, the states are now affirmatively encouraging gambling through publicly funded advertising for lotteries, infrastructure support, and tax breaks for casinos. The reason is straightforward: Because states now derive significant income from gambling, they have an incentive to promote it as part of their revenue base.

We have grave doubts about this policy. The moral effects of gambling—on individuals and on society—are questionable enough that the states should at most permit it. They should certainly not encourage its spread. But states will encourage gambling just as long as they derive net revenues from it. This conflict of interest can be resolved only if government stops using gambling to raise revenue. At the same time, it would be a grave mistake for government merely to adopt a *laissez-faire* posture toward gambling. While the state should divest itself of economic interest, it should also assume a more active regulatory role.

Gambling and character

It may seem churlish and retrograde to raise moral objections against gambling, especially given its deep roots in American history. Indeed, as historian Jackson Lears has suggested, it's possible to construct a moral case in its favor. Gambling may be justified as a source of intense experience, against the grain of our otherwise routinized urban lives; as a temporary release from the bonds of reality and responsibility into a realm of fantasy and imagination; as the expression of an anti-utilitarian spirit (gambling is not really about accumulating money). Gambling can even be seen as a much-needed counterweight to a smug Protestant ethic. According to this argument, gambling helps us to focus on chance as a way of experiencing the world and instructs us in the lack of a direct link between effort, merit, and success. Besides, it may be asked, what's the difference between gambling and the kind of economic risk-taking that has always been celebrated as part of America's "go-getter" culture of striving?

Some arguments against gambling do seem puritanical or overly fastidious. Few of us regard ourselves as having so stringent a duty to preserve our assets that we refrain from squandering even small amounts of money on trivial pursuits. But we can take a more relaxed view of our stewardship obligations and still regard gambling as a vice. While we may have no objection to small wagers guided by informed judgment or skilled play, we must also recognize the danger of recklessness and compulsion in almost any form of gambling. The same qualities that make gambling so attractive—its intensity and fantasy—make it potentially destructive.

Moreover, the rejection of a smug Protestant ethic may mask an elitist contempt for bourgeois striving. While gambling allows people of all social classes to display what Lears terms a "fine, careless disregard for utilitarian standards," it is a display that is unbecoming in a society with egalitarian ambitions and very costly for the poorer members of that society. Anti-utilitarianism is particularly destructive for individuals with limited resources.

We hardly need gambling to display a healthy respect for the vicissitudes of fortune or the limitations of individual effort. We can acknowledge the uncertainty of life by mitigating

its effects, through individual or social insurance schemes; by steeling ourselves against it, through a stoic regulation of our desires, hopes, and fears; or by living more fully in its shadow, giving over more of our lives to the enjoyment of the present moment. It is hardly necessary, and arguably perverse, to recognize the role of chance in our lives by increasing its sway.

But if gambling is a vice, why isn't capitalism? There are several reasons: While gambling is at best zero-sum, entrepreneurship creates advantages for others and for society as a whole. While stock markets do represent opposing gambles on price movements, they also provide essential liquidity for market systems. Even futures—apparently a pure gamble—allow risk-averse individuals to hedge against market fluctuations. There are also important differences of individual motivation and behavior between gambling and business risk-taking: The entrepreneur is focused on the future; the gambler, on the present. The entrepreneur innovates; the gambler at best calculates. The entrepreneur is compelled to think about ways of satisfying the needs of others; the gambler is not. The attempt to equate the two invites us to abandon, as sanctimonious or hypocritical, those very aspects of entrepreneurship that make it morally defensible. We should reject the invitation. The riverboat gambler is a dangerous icon just because he appeals to the darker side of capitalism.

Gambling and civil society

Gambling is even more problematic when it is viewed in a social context: when we look at who gambles, in what social settings, with what impact on other social institutions. First, expenditures on the most widespread form of gambling, state lotteries, are clearly regressive. In *Selling Hope*, a comprehensive review of contemporary state lotteries, Charles Clotfelter and Philip Cook found that "the relatively poor spend a much larger fraction of their income on lottery tickets than the relatively affluent." For example, a 1984 study of the Maryland lottery found that players with incomes over \$50,000 spent an average of \$2.57 a week on lottery tickets, while those with incomes under \$10,000 spent \$7.30.

While regressivity appears to be less acute for casino play—one study of Las Vegas found that expenditures increased dis-

proportionately with income, and one study of Atlantic City found only slight regressivity—this difference may vanish as casinos become more accessible. Researchers have consistently found that members of minority groups and people with less education gamble more. In Maryland in 1984, 41 percent of blacks with incomes under \$10,000 spent at least \$10 a week on lottery tickets, compared to only 8 percent of whites in the same income class. These findings suggest that gambling losses fall disproportionately on some of the more vulnerable members of society.

Second, gambling is increasingly asocial. As gambling expert A. Alvarez observes:

Back in the 1980s, the center of the casinos was the “table games”—blackjack, roulette, baccarat, craps, poker—games that involve some social exchange with other people—players, dealers, croupiers—and varying degrees of skill.... Gradually, however, casinos have cut back on the space allotted to table games and filled it with slot machines.... But compared to traditional forms of gambling, playing the slots is an autistic activity—mindless, solitary, and addictive—and its popularity is growing at a terrible speed.

We are now gambling alone as well as bowling alone, and the peculiar social function of gambling—as Alvarez describes it, “the only place where people from the straight world could rub shoulders with gangsters and not get in trouble”—is becoming an anachronism.

Third, the growing appeal and accessibility of gambling to middle class and poor families appears to have done less to domesticate gambling than to coarsen family life. While Alvarez is struck by the increasingly Disney-like face of Las Vegas—a proliferation of “pirate battles, jousting knights, and exploding volcanoes”—other observers are struck by the inappropriateness of the moral suggestions children receive and act out. Iowa State University professors Corly Peterson and Allison Engel observed

unsupervised children carrying plastic cups filled with quarters, parked in front of interactive video games, looking like their cup-toting parents sitting in front of video slot machines ... kids betting dollar bills on mechanical horse race games ... kids rushing from video screen to video screen until their money was gone.

Even in the rare supervised child-care centers, they found, "the atmosphere ... mimics the visual stimulation of a casino."

Fourth, the rise in the popularity of gambling not only reflects but also reinforces a loss of confidence in hard work as a source of social advancement. The flight of blue-collar jobs, the trend toward downsizing, and the vagaries of the service sector have all contributed to a sharp decline in the proportion of Americans who believe that hard work pays off, from 60 percent in 1960 to 33 percent by the 1980s. As Alvarez observes, "When work is no longer a reliable route to prosperity, a big kill in the lotteries or the slots becomes the one hope of escape from the economic trap." It is certainly possible to exaggerate the impact of gambling on the work ethic and the impact of cynicism about the work ethic on the current popularity of gambling. But the emphasis on luck as a route to prosperity should be especially troublesome to governments involved in the promotion of gambling.

Marketing vice

This litany of concerns does not make the case for outlawing all forms of gambling: The costs of criminalizing it are likely to be very high, and the moral posture of the state in issuing such a wholesale condemnation is questionable. But these concerns do suggest that states should not encourage gambling or make their own functions dependent on its proliferation. Indeed, many of these concerns are exacerbated by state sponsorship.

The practical impact of state sponsorship is troubling if uncertain. Although several studies have found large increases in compulsive and problem gambling following the introduction of state lotteries or casinos, the reliability of these findings is limited by inconsistency and vagueness in the definition of "compulsive" and "problem" gambling and by the possibility that much of the apparent increase is due to increased awareness and increased reporting. Similarly, we do not know for sure how much the state's endorsement of spendthrift ways in lottery promotion adds to the powerful social forces that subvert the inculcation of thrift and industry in the most beleaguered communities in the United States—forces such as the loss of working-class jobs and the perverse incentives of

the present welfare system.

But claims about adverse consequences by no means exhaust the moral objections to state sponsorship of gambling. The more important objections, we think, concern the propriety of the state's role as gambling promoter. Even if it were appropriate for individuals to express, through gambling, their recognition of the role of chance in their lives, it would be unseemly for the state to do so. The state's promotion of gambling belies its commitment to reducing the influence of morally arbitrary factors on the lives of its citizens and to supporting the virtues of thrift, hard work, and responsibility. Consider the messages conveyed by state-sponsored ads promoting lottery sales:¹

Playing the lottery is exciting; you'll be bored if you don't: "It's the Pick / It's a Kick / Come on in and try your luck. You can't buy more excitement for a buck."

Playing the lottery is smart; you can't win if you don't play: "Imagine this.... The numbers are picked. Your numbers. And suddenly, your life has changed. Suddenly you're rich. Could it happen? Absolutely! But, you have to do more than just imagine. You have to play."

Playing will give you quick, even instant, results; no more need to defer gratification: "Just One Ticket ... and It Could Happen to You."

Playing the lottery is the way to get set for life: "The Rich. Join Them."

Those who believe that statecraft is "soulcraft" have good grounds for objecting to government promulgation of such messages. But even those who believe that families and religious communities are responsible for inculcating the virtues of thrift and industry should be appalled at the denigration of those virtues in state lottery advertising.

Some critics regard it as wrong for anyone to offer a vanishingly small chance of a huge windfall to people mired in poverty. It is particularly objectionable for that offer to come from the state. Even if we disagree about the extent of the

¹ All quotes taken from Charles T. Clotfelter and Philip J. Cook, *Selling Hope: State Lotteries in America* (Cambridge: Harvard, 1989).

state's obligation to reduce privation and ignorance, we should agree that it has an obligation not to exploit them.

Public and private vice

Equally disturbing is the deliberate exploitation of poverty to finance public projects that should be paid for by taxes if undertaken at all. As Fairfield University philosophy professor Lisa Newton has said:

There is an ironic justice in the fact that our eagerness to legalize casino gambling for the sake of the revenues follows directly from our unwillingness to assess ourselves a fair and adequate amount in taxes. The problems with our public character dovetail with the problems in our private character.

Defenders of state-sponsored gambling deny that the use of lotteries to raise public funds is a sign of public vice. They insist that this is a time-honored practice, frequently employed in early American communities and fully consistent with republican civic virtue. But this defense overlooks the huge differences between today's lotteries and their predecessors.

Unlike current state lotteries, early American lotteries were public-spirited and progressive. A typical colonial lottery was instituted to finance specific public works projects, such as bridges or roads, and participation was seen more as a charitable contribution than a form of gambling. For example, lotteries supported the reconstruction of Boston's Faneuil Hall and new buildings for Harvard, Princeton, and Yale. For decades after the Declaration of Independence, nearly all states sponsored lotteries; in 1793, President George Washington helped promote one to finance improvements in the District of Columbia.

In contrast, present-day lotteries have become a permanent revenue source for the states and a permanent pastime for their citizens; their operations are contracted out to professional gambling firms; their economic burden is regressive rather than progressive; and their customers are largely indifferent to their objectives. Although the political approval of state lotteries has often been secured by promising to earmark their revenues for government functions such as public education and care for the elderly, the actual use of lottery rev-

venues has rarely, if ever, been so constrained. When lottery revenues are indeed earmarked for specific projects, they are often ones that the legislature would balk at funding by direct taxation. And those who purchase lottery tickets are less likely to be rich citizens with a strong moral or economic interest in the uses to which the revenues are put than poor citizens with little say or interest in their uses.

The resurgence of legal gambling also raises classic issues of public morality. The willingness of the state to legalize and sponsor gambling has introduced large amounts of new special interest money into our politics. With contributions totaling \$2 million at the national level during the 1993-1994 election cycle, gambling-financed political-action committees are now in the same league as the National Rifle Association. At the state level, proponents of casino gambling have been able to outspend opponents by as much as 50 to 1; this has led recently to major corruption scandals in Louisiana, Missouri, Arizona, Kentucky, South Carolina, and West Virginia. In Florida, backers of a pro-gambling referendum spent almost as much as the state's two gubernatorial candidates combined. It is time to ask ourselves how much civic corruption we are willing to tolerate.

Temperance lessons

While history indicates that gambling is too ubiquitous to suppress, moral considerations suggest that it is too harmful to encourage. The most appropriate state stance toward gambling is not encouragement, but rather containment.

A key component of containment is what Clotfelter and Cook call a "sumptuary" approach, which acknowledges both the customary demand for gambling and the need for state regulation of time, place, and manner. It requires the state to limit the social harms of gambling by restricting, for example, size of bets, frequency of betting, age of bettors, availability of credit, and types of games.

The implementation of a sumptuary approach, however, reveals a tension in state regulation: The most effective measures for controlling gambling deepen state involvement in gambling. Thus Clotfelter and Cook note that "the Sumptuary Lottery, with its need for tight control on product develop-

ment, promotion, and pricing, would appear to do best under a state-run or tightly regulated monopoly." Yet it may seem inappropriate for the state to act as the "house," running the games and collecting the proceeds, even if it carefully avoids stimulating demand. While state control may be the best way to maintain sensible limits on time, place, and manner, there may be a moral cost.

Similarly, the state may reduce the appeal of gambling by reducing the payoff, thereby increasing its own "cut." But the greater the revenues it obtains from gambling, the more likely it is to become financially dependent on those revenues, and the more tempted it will be to promote gambling by the objectionable means many states now employ. The obvious way to avoid the temptation is to reduce the state's cut, so that it covers only the costs of regulation or administration. But that would also increase lottery payoffs and the demand for lottery tickets.

The experience of liquor regulation after Prohibition suggests, however, that it may be possible for the state to acquire a partial monopoly of a once-illegal activity without promoting it or being compromised by financial dependence. In a landmark 1933 analysis of the policy options after the repeal of Prohibition sponsored by John D. Rockefeller, Jr., Raymond Fosdick and Albert Scott urged the creation of state liquor authorities to determine prices, fix the location of retail outlets, control advertising, "and in general manage the trade in such a way as to meet a minimum, unstimulated demand within conditions established solely in the interests of society." They regarded such authorities as best serving a sumptuary approach toward liquor control, in which the goal of regulation was social control, not revenue. They also emphatically rejected the argument that "the government can take no further step in the direction of control without giving the liquor business its endorsement and blessing." Eighteen states set up such central liquor authorities in the 1930s, and their experience generally supports Fosdick and Scott's claim that state control of liquor sales need not lead to endorsement, promotion, or corruption.

An important caveat concerns the difference in public attitudes toward gambling and drinking. There is still a strong

temperance strain in American public opinion that serves as a check on any promotional tendencies. In contrast, public attitudes toward lotteries have become, partly as a result of its widespread legalization and aggressive promotion, far more approving, with the Gallup Poll showing the proportion of Americans favoring state lotteries increasing from about 50 percent in 1963 to over 70 percent in 1982. (A 1994 gambling industry survey found that 89 percent approve of casino gambling.) This contrast has been sharpened by the current preoccupation with health and safety (which led to the grassroots campaign against drunken driving). Despite the medical endorsement of moderate drinking, public attitudes toward liquor continue to be negative, and sales of distilled liquors continue to decline.

There appears to be no similar bulwark in public opinion against the "mission creep" of state gambling agencies: The risk of state endorsement and promotion may be inherent in state operation. We may face a trade-off between the honesty and efficiency that has come with state sponsorship and the continual risk that the state will remain a promotor of the activity it is supposed to regulate.

A strategy of containment

With these practical caveats firmly in view, we propose a strategy of containment to minimize the moral risks of gambling for individuals and for society.

As a first step, we recommend a voluntary national moratorium on the expansion of additional lottery games and new casinos. During the past decade, states have rushed into the gambling business. It is time to pause—to gather evidence and to assess the social, moral, and economic effects of gambling. The proposed national commission would undertake this assessment; state-sponsored gambling should be frozen in place pending its findings and recommendations. (However, in light of our nation's failure to foster economic development on Indian reservations, we do not believe it would be appropriate to freeze tribal gambling opportunities made available under federal law a decade ago.)

With regard to lotteries, we suggest that states move toward eliminating non-informational advertising (which was the

original policy in some states) and institute a five-year transition back to the less exciting, "passive" lotteries with which many states began. There may be some concern that passive games will not be able to compete against illegal gambling, especially without aggressive advertising. But it is doubtful that current state lotteries take much business away from illegal gambling operations. We suspect that they do more to stimulate demand than to steal customers.

With regard to casinos, we propose that states introduce time, place, and manner restrictions that could reduce the likelihood of compulsive behavior and could increase economic benefits to surrounding communities. Such restrictions are imposed in Europe, where the spirit of *laissez-faire* has never been as strong. European casinos often charge membership fees, require long waiting periods for admission, impose strict dress codes, ban local residents from all or part of the premises, exclude problem gamblers, and limit the size or number of bets. Casinos are often prohibited from advertising, selling liquor at gaming tables, providing live entertainment, or extending credit.

Few of these restrictions are found in American lottery outlets and even fewer in American casinos. We would not recommend their wholesale adoption. Some, like the ban on local residents, would be unacceptable to a society committed to equal access; others, like long waiting periods and the prohibition on entertainment, seem astringent and impractical. But restrictions like the exclusion of problem gamblers and the bans on credit and table liquor sales are eminently reasonable. It should be possible to impose modest restrictions without creating a thriving black market, at least in communities where there is a strong preference for acting within the law.

Given the increasing dependence of states on gambling revenues, and the intensity of interstate competition, it may be difficult for an individual state to take the initiative in imposing regulations that make gambling less attractive. If containment is to occur, the federal government may have to play the role of motivator and coordinator. The proposed national commission on gambling should place the issue of how best to do this high on its agenda.

Law's moral voice

We labor under no illusion that changes in public policy can alter human nature or suppress activities with such deep roots in our nation's history. But beyond its immediate practical impact, law has an expressive function that over time helps to set the moral tone for society. At a time when so many forces are pushing in the direction of shortsightedness, irresponsibility, and passivity, public institutions have an affirmative obligation to defend the older, but by no means outdated, virtues of industry, thrift, self-command, and care for the future. Government promotion of gambling is flatly inconsistent with that obligation, and it should cease.