

## EXECUTIVE SUMMARY

Within the past twenty-five years legal lotteries have made a dramatic resurgence in the United States. Prior to the introduction of the New Hampshire lottery in 1964, no legal lottery had existed in this country for seventy years. By 1989, twenty-eight states and the District of Columbia had either followed New Hampshire's lead by implementing functional lotteries or had passed legislation permitting their creation (Clotfelter and Cook, 1989b). Accompanying the renewed appeal of the lottery are concerns involving the potentially negative consequences that are perceived to be associated with this form of gambling. These concerns have been expressed in debates aired in the popular press and articulated in state legislatures. The following questions represent a recurrent set of key issues in these debates.

1. Does lottery play entail expenditures that citizens, particularly the poor, cannot afford? (Minneapolis Citizens League [MCL], 1986; Asbury, 1938)
2. Do lotteries capitalize on the naiveté of citizens regarding probabilities of winning and strategies for play? (Asbury, 1938; Peterson, 1951)
3. Does lottery play promote habitual gambling? (MCL, 1986)
4. Is the lottery a regressive form of taxation? (Brinner and Clotfelter, 1975)

We investigate these issues directly and indirectly in the present report. The study on which this report is based was conducted at the request of the State Lottery Board, in accordance with 1987 Wisconsin Act 119, Sec. 35(7), authorizing a state lottery and requesting "a study of the

state lottery's impact on Wisconsin residents of various income levels." The data for the study were collected during the summer of 1989 through telephone interviews with members of two independent samples. The first comprised residents from the state of Wisconsin (N=527); the second consisted of residents in the remaining contiguous states (N=733). Respondents from both samples provided data on their lottery play, their attitudes and perceptions concerning the consequences of lottery play, and their perceptions of the odds and strategies associated with that play. These data permit us to examine not only the relationship of respondents' lottery play to income, race, gender, marital status, and education, but also its relationship to various beliefs about lotteries in general and its possible consequences in respondents' family life.

Because our data come from a national as well as a state sample, we are also able to compare lottery play and attitudes of Wisconsinites to those of other U.S. citizens. Since members of the national sample have, on average, been exposed to lottery opportunities within their states for longer periods of time than Wisconsin residents, their experiences and attitudes are examined for trends of participation and attitudes toward the lottery that may materialize in Wisconsin.

We begin our investigation with a brief historical review of lotteries in the United States in Chapter 1. In this chapter we also present the findings of previous research on lottery play and attitudes toward such operations. In Chapter 2 we present an overview of the methods of data collection, questionnaire design, techniques of analysis, and a description of our samples. In Chapter 3 we describe the findings from the Wisconsin sample concerning general attitudes toward the lottery, the level of

lottery play, relationships between lottery play, attitudes, and personal characteristics. Chapter 4 follows a similar outline, but is based upon our findings for the national sample. In Chapter 5 we compare results from the national and state samples and present multivariate analyses of lottery play for both groups. We also describe probable trends of future lottery play within the state based upon those found to exist among national sample members who have been exposed to lottery operations in their states for longer periods of time.

#### SUMMARY OF MAJOR FINDINGS

1. A large majority of respondents, nationally and within Wisconsin, approve of state lotteries.
2. A majority of respondents residing in states that sponsor lotteries, including Wisconsin, have played their state's lottery at least once.
3. The current mean monthly expenditure on lottery play among Wisconsin residents who play the state's lottery is \$10.57. The current median monthly expenditure is \$4.60. Among members of the national sample, the mean monthly expenditure by those who play is \$14.14 and the median expenditure is, like Wisconsin's, \$4.60.
4. Among Wisconsin lottery players, monthly dollar expenditures on the lottery do not significantly vary across age groups, income groups, race, educational levels, or marital status. They do vary significantly by gender: men spend significantly more on

lottery play than do women.

5. Among Wisconsin players, the percentage of total family income spent by players on lottery games varies significantly across income groups, educational levels, and marital status. Those individuals with higher family incomes, more education, and who are married spend proportionately less on lottery play.
6. The vast majority of Wisconsin sample members (over 95%) who have played the lottery believe the money they spend on lottery play has had no adverse effect on their household expenditures.
7. Over one-third of Wisconsin sample members believe a system can be developed which would increase players' chances of winning a lotto game.
8. A large proportion of Wisconsin sample members underestimate the percentage of lottery revenues returned to players as prizes.
9. Based on national sample data, it appears that (1) as the novelty of lottery play decreases in Wisconsin, the proportion of males among players will increase; (2) lottery play will become somewhat more concentrated among those who spend more; (3) approval of the lottery will become less highly correlated with lottery expenditures. It also appears that approval of lotteries in Wisconsin will remain stable or will increase slightly.