The Impact of the Daily Lottery on the Numbers Game: Does Legalization Make a Difference?

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There has been a profusion of state run legal lotteries over the last two decades. One justification for them has been their supposed diversion of funds from illegal games known as numbers, policy and bolita. Records obtained in a police raid in south Florida provided an opportunity to analyze the impact of Florida's legal lottery on its illegal counterpart. The records ranged over a 13 week period encompassing five weeks prior to the inception of Florida's legal daily numbers and lotto games and seven weeks afterward. While there was a 17 percent decline in monies wagered on the illegal games during the first week of the legal games, illegal wagers quickly rebounded to pre-legalization levels.

INTRODUCTION

With operations in 30 states and the District of Columbia and revenues approximately $20 billion in 1989, the lottery industry quali-
ties as one of the 30 largest industries in the United States. From their inception in the New World, there has been controversy over whether government should promote an activity that might be inimical to the public interest. Even today, despite their much touted capability to generate revenue in a "painless" way, lotteries have been criticized as regressive (Mikesell and Zorn, 1986; Clotfelter and Cook, 1989; Kaplan, 1989) and conducive to the spread of deviant, even pathological behavior by exposing large segments of the population to gambling (Braidfoot, 1985). Yet, one rationale for the re-introduction of state lotteries in this century was their supposed negative impact on illegal gambling, especially numbers, policy, and bolita. Aside from anecdotal information from police, bookies, and lottery officials, that assumption has never been empirically demonstrated (Freid, 1983; Bloomberg, 1988). This paper provides quantitative information from law enforcement in South Florida in an attempt to evaluate the impact of the introduction of Florida's legal lottery on its illegal counterpart.

Background

Historian John Samuel Ezell (1960) traced the roots of the lottery in this country to a charter the King of England granted to the Virginia Company of London in 1612. This charter provided for the conduct of lotteries to save the struggling settlement in Jamestown, and contained the stipulation that commissioners who supervised them would swear not to defraud or deceive anyone. Later in the seventeenth century, Sir William Petty conceptualized the dilemma:

A lottery is properly a tax upon unfortunate self-conceited fools. The world abounds in such fools; it is not that every man that will may cheat every man that would be cheated. Rather it is ordained that the Sovereign should have guard of these fools, even as in the case of lunatics and idiots (Ezell, 1960, p. 1)

This ambivalence did not, however, prevent lotteries from becoming successful in the Colonies, or retard their use by government to generate funds for the emerging nation. Lotteries were used to defray expenses during the French and Indian Wars and in 1777, the Continental Congress sponsored a lottery to raise funds for the Revolution. Four states—Massachusetts, Vermont, Rhode Island, and New York—also conducted them to aid the struggle for independence.