

# Sucker Bet or Sure Thing: A Critical Analysis of Sports Lotteries

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A paradox currently exists regarding legal sports gambling in North America: various forms are flourishing in Nevada, Oregon, and several Canadian provinces, while at the same time the United States Congress is conducting hearings on two bills that would prohibit any new state-sponsored sports gambling initiatives. This study examines the issue of why some jurisdictions are enthusiastic about legal sports gambling while others strongly resist the concept. In reviewing these divergent viewpoints, a case study of the newfledged Canadian "Sport Select" gambling format is presented. This example is used to highlight the perils and payoffs of a typical state-sponsored sports gambling scheme, with a view toward broadening our understanding of how they work and how they might be fairer to the public.

## THE GROWTH OF LEGAL SPORTS GAMBLING

At present, legal sports pools or sports lotteries exist in 37 countries (Roxborough, 1991a). While sports betting has been permitted in many of these countries (Sweden, Germany, Finland, England, and Australia for instance) for half a century, legal sports wagering in North America is sparsely distributed and less than 20 years old. The first region to legalize sports betting was Nevada, where sportsbooks

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proliferated from 9 in the first year (1974) to 79 operations now (Manteris, 1991). The sports betting "handle" has likewise skyrocketed, from \$4.6 million in 1974 to \$1.4 billion in 1990 (Christiansen, 1990). Subsequent legal sports betting ventures have not had the same profile of success, mainly because all of the newer schemes are sports lotteries as opposed to the more popular head-to-head sports wagering allowed in Nevada. Examples of these sports lotteries are as follows:

In 1976 Delaware introduced a betting format based on the outcome of NFL games that lasted only one season. According to Brams (1977), the reasons for the football lottery's demise were four-fold:

1. The game was too complicated; not only did players have to pick winning teams, they also had to predict the score differential in the games.
2. The payouts were too low; players divided their winnings on a parimutuel basis. However the state returned a miserly 45% of the total bets to consumers; (as opposed to legal betting on Rugby League Football in Australia, where 75% is returned to bettors (Windross, 1984).
3. The NFL sued the state, claiming that the football lottery damaged its reputation and infringed on its trademark and property rights. While the court ultimately ruled in favor of the state, the resultant negative publicity impeded sales.
4. The game produced a gross revenue of \$725,000, which was well below the forecasted \$6 million.

A similar lottery, featuring major league baseball, was introduced in 1984 by the Canadian federal government as a means of raising funds for the 1988 Calgary Winter Olympics. Like the Delaware sports lottery, it lasted only one season. It was unable to compete with existing lottery games because of its complexity, poor payout structure, and the fact that it required far more luck than skill (Smith, 1987).

The Oregon Lottery's "Sports Action" game has proven to be somewhat disappointing, generating only \$13 million for the state in just over two years. In the first year of operation, the Oregon game allowed parlay betting on NFL and NBA games. Since there was limited interest in wagering on NBA games, the lottery now only operates during the NFL season. A special feature of the "Sports

Action” game is that proceeds are earmarked for athletic and academic scholarships at Oregon’s public colleges and universities.

The Western Canada Lottery Corporation’s “Sport Select” game began in October of 1990 and is unique in North America in that it is a year-round game. Players can wager on professional hockey, football, and baseball. The specifics of the Sport Select operation will be analyzed in detail later in the paper.

As many as 10 other states are ready to plunge into the sports lottery business if the bill to prohibit state-sanctioned sports gambling is defeated in the U.S. Senate. Starting up a sports lottery may indeed be an act of self-preservation to fight off competition from sports betting enterprises that have recently sprung up in Central America. Legal sportsbooks are prospering in northern Mexican cities such as Tijuana and Juarez by drawing patrons from neighboring San Diego and El Paso (Roxborough, 1991b). So-called “international” sportsbooks are also operating in the Dominican Republic; these outlets provide private telephone wagering accounts and cater to clients from across North America.

## **WHY SPORTS LOTTERIES APPEAL TO GOVERNMENTS**

The areas in North America that have adopted, and those contemplating adopting, legal sports betting have several economic exigencies in common, including an anti-tax electorate, cutbacks in federal assistance, sales of existing non-sporting lottery products topping out, and the need to provide essential social services. Even though the public is not clamoring for legal sports betting schemes, governments have initiated them anyway, hoping to redirect monies going to illegal sportsbooks, illegal sportscards, and fantasy leagues. Sports lotteries are seen as low-key gimmicks that provide a modest source of new revenue. The fact that they appeal to a different target group than the traditional lottery ticket buyer is an added advantage. No doubt these considerations are important in determining whether a jurisdiction chooses to institute a sports lottery. What puzzles social policy analysts, however, is why so few government administrations have opted for sports lotteries when so many are in the same financial predicament.

## **THE POLITICAL RISKS OF SPORTS LOTTERIES**

Before state or provincial legislators endorse a legal sports lottery, several critical issues require deliberation. These prickly matters range from the pragmatic (How much revenue will it generate? What are the social implications, if any?) to the political (Will it propagate negative publicity from religious groups and professional sports interests? Will it decrease the take from other legal gambling operations?) on through to the philosophical (Will it change our value structure? Will we view sport differently?). Whether governments opt in or out of legal sports gambling will depend on how they measure the trade-offs outlined in the following policy questions.

### **HOW SMOOTHLY CAN SPORTS WAGERING BE INTRODUCED?**

A major reason the sports lotteries are burgeoning in Canada is that they can be initiated by executive decision. Lotteries in Canada come under provincial authority, but the term “lottery scheme” is loosely interpreted to include a much wider array of gambling activities than traditional lotteries. Consequently, provincial governments can instigate a sports betting operation without public debate on the issue. Typically, the idea is discussed and approved by the ruling party caucus and senior bureaucrats, then presented to the public as a fait accompli. Sometimes the sports betting scheme undergoes a brief trial period to gauge public acceptance and to refine the delivery of the product.

Usually the sports lottery appears overnight along with a hardsell advertising message coaxing citizens to “get in the game.” Nowhere in the promotional campaign is there an explanation of why a sports lottery has been deemed necessary or how it contributes to the common good. In the absence of a state rationale for introducing a sports lottery, some skeptical taxpayers presume the worse—that the ploy is a transparent government moneygrab. By eschewing public debate on sports gambling initiatives, politicians avoid making explicit statements that make them accountable. Instead, they finesse the issue by launching a sports lottery, anticipating a surge in new revenue and hoping at the same time to sidestep negative media or public reaction.

This rather timid approach could backfire in the long run, especially if the sports lottery creates any adverse social consequences. By operating this way, a government is also open to charges of duplicity on the grounds that they aggressively promote sports wagering but do nothing to educate citizens about the risks of the activity.

In American jurisdictions, the process is reversed. Any state-sponsored sports gambling enterprise would undergo close inspection from legislators, pressure groups, and the media in the form of op-ed articles and television debates. Ultimately the question would be put to the electorate in a referendum; whether it passed or failed would be dependent on factors such as the state of the economy, prior gaming legislation, the endorsement (or lack of) by political elites, and the persuasiveness of opposition groups. The likelihood of a sports betting proposal succeeding in a referendum is slim, mainly because sports gambling is still perceived as a hard-core gambling activity as opposed to lotteries or horse racing, which the public accept. Referring to casinos, Dombrink and Thompson (1990) state that a good way to prevent legalization is to put the issue on the ballot. The same could be said about sports gambling.

### **HOW POWERFUL IS THE OPPOSITION FROM PROFESSIONAL SPORTS LEAGUES?**

Ostensibly, “there are really only two opponents to legalized sports betting: The sports leagues and illegal bookmakers” (Roxborough, 1991a, p. 18). Certainly most of the major North American professional sports leagues have tried to distance themselves from any legal sports betting proposal. Their main objections are that betting undermines public confidence in the sport and that unauthorized use of their copyrighted schedules and trademarks is illegal (Smith, 1990). Examples of leagues intervening to try and quash sports gambling schemes are as follows:

- The New York state lottery recently proposed a sports betting system that was expected to raise \$15 million in new revenues based on the results of NFL games. NFL lobbyists succeeded in pressuring state legislators to jettison the plan. The New York lottery director, Peter Lynch, felt the league was out of line, especially since “the NFL has shown no interest in this area, perpetuating

the Las Vegas sportsbooks, while shutting off legitimate revenue sources for the states" (Roberts, 1991, p. 38).

- The NHL was miffed when four Canadian sports lotteries began allowing bets on the outcome of their games. The league unsuccessfully requested a Federal Court of Canada injunction to curtail the activity. The NHL has since filed suit against the sports lotteries, claiming that "for 75 years we've been concerned about and opposed to betting on professional hockey games, and that opposition will continue" (Picard, 1991, p. A. 14).
- Another tactic professional sports leagues use to forestall sports gambling proposals is the threat of retaliation. The prospect of legal sports betting is currently a divisive issue in Louisiana; legislators think it will help reduce a massive budget deficit, but the NFL has given notice that New Orleans may never host another Super Bowl if the plan goes ahead. In a similar vein, former baseball commissioner Bowie Kuhn admonished the Canadian government that if its national sports lottery was approved, no Canadian cities would be included in future expansion plans (Smith, 1990).

### WHAT IS THE "IDEOLOGICAL BAGGAGE" OF SPORTS GAMBLING?

James Frey (1985) contends that legal sports betting schemes are difficult to institute because of the "ideological baggage" they carry. This notion suggests that wagering on athletic events runs counter to the mainstream values (sportsmanship, teamwork, character development, and so forth) that are promoted in competitive sport. Sports are still perceived (perhaps naively) to have an ethical basis where life lessons that transfer to the world beyond are taught (McIntosh, 1979). Purists claim that the prevailing ethos of gambling—getting something for nothing—is not in concert with our sporting ideals. To support their argument, critics are quick to mention the Black Sox scandal, fixed prize fights, rigged horse races, numerous point shaving incidents in college basketball, and Pete Rose's misdeeds as evidence that sports and gambling don't mix. Furthermore, opponents of sports betting say gambling erodes the natural rooting interest that develops when fans watch superbly conditioned athletes perform to their maximum. Innocence is lost when the primary concern of bettors is not who won the game but whether they covered the point spread or whether enough points were scored to exceed the over-under total. In support of this point, recovering compulsive gamblers who were former sports bettors have indicated that sports events hold no interest for them now. The

aesthetics of the sport, or the intense competition, simply doesn't register for them without the stimulus of a bet.

Pragmatists might agree that there is merit in the arguments of the anti-sports gambling faction; they might also suggest that there is a certain naiveté in their presumptions. When elite sport is already polluted with cheating, drug use, gratuitous violence, and exorbitant salary structures, the prospect of sports gambling seems trifling by comparison. However, it is true that a segment of the public does make a knee-jerk connection between sports betting and scandal. In *A Survey of American Gambling Attitudes and Behavior* "a third of the sample thought legalization of sports betting would result in more fixed games, and slightly over 40% thought it would result in corruption of both college and professional sports" (Kallick et al., 1979, p. 329), Gambling experts say that a legal sports betting system is unlikely to bring about more game fixing or point shaving incidents. In fact, the opposite may be true; tightly controlled sports betting operations have a vested interest in ensuring that games are not tampered with (Rosecrance, 1987).

While public attitudes toward sports betting may be misguided, they are strongly held. A national survey conducted by the Miller Brewing Company (1983) found that 59% of respondents never bet on sports events. The Survey of Gambling Attitudes and Behavior (Kallick et al., 1979) similarly found that 64% of the sample had never made a sports bet in their lifetime. This same national survey reported 32% were in favor of legalizing sports card betting, while only 20% agreed with legalizing sports betting with bookies. These figures would undoubtedly be higher if the same questions were asked in 1992. Despite a growing tolerance for legal betting, public acceptance of the activity is still well below what it is for lotteries and horse racing.

### **CASE STUDY OF AN EXISTING SPORTS LOTTERY: WESTERN CANADA'S "SPORTS SELECT"**

#### *The Launching*

In January 1990, the Western Canada Lottery Corporation ran a 10-week pilot test of a sports-based lottery under the name "Power Play." The format was a facsimile of the Swedish sports lottery and was

actually four separate games, based on NHL game outcomes and player scoring statistics. During the trial period the game was offered in a few strategic locations (major malls in urban centers). Contestants played for free, with winners receiving lottery corporation merchandise such as hats, T-shirts, and gym bags. The purpose of the experiment was to see if a sports lottery was viable; that is, were the games appealing, were they understandable, would they generate sufficient funds, and was there public opposition to the game?

These questions were answered satisfactorily because a revised version of Power Play, called Sport Select, was offered to the public in October, 1990. It is noteworthy that Sport Select was ushered in with minimal fanfare; this was curious in that the government was now suddenly sanctioning a previously unlawful betting scheme. No official explanation or elaborate defense for the change in political philosophy was put forward by legislators. Bewildered taxpayers might have wondered why it was now acceptable for the government to be a bookmaker when private citizens could be jailed for doing the same thing. Ordinarily, when a social policy is reversed, politicians take pains to clarify why the change was called for, and how it would benefit the electorate.

### *The Mechanics of Sport Select*

In the initial format, Sport Select offered consumers a choice of two games: "Excel" and "Pro-Line." The Excel game required players to pick the winners of fifteen NHL games, and for making the correct choices winners received \$1,000 on a \$2 bet. This game was a dismal failure, probably because players realized the odds of completing a 15-team parlay were astronomically higher than the fixed odds of the payout. Players were also discouraged by the low win frequency; a player could easily play every week for the whole season and not register a single win. Lagging sales of the Excel game forced lottery officials to discard the game in March, 1991.

In the more popular Pro-Line game, players wager anywhere from \$2 to \$100 on the results of at least 3, and up to 6, professional sports events. At first, only hockey games were listed. Canadian and American professional football games soon followed, and major league baseball was added to the package in April, 1991. When playing Pro-Line, consumers choose one of three possible game outcomes: a home



team win, a visitor win, or a tie. To win, all selections must be correct; the payout is determined by the bet size, multiplied by the specified odds for each outcome. Betting on three favorites would bring a modest return, whereas a winning bet on six games that included ties and underdog wins would result in spectacular odds.

In the fall of 1991, a new game, "Over-Under," was added to the betting menu. This is the same proposition that illegal sports bookmakers have offered for years, with the exception that sports lottery players must pick anywhere from 3 to 6 games and be perfect on all choices. In Over-Under, the betting list contains a point total for each game which represents the predicted combined score of both teams. Players try to determine whether the real final scores will exceed, or be lower than, the posted scores. Typical Over-Under scores for the various sports are hockey (7.5), baseball (7.5), Canadian football (68.5), and American football (36.5). The totals are given in half points to avoid the possibility of a tie. Payouts for the Over-Under game are based on bet size and the number of games selected. A correct three-game wager produces 5 times the amount bet (four games =  $10 \times$  wager; five games =  $20 \times$  wager; six games =  $40 \times$  wager).

Weekly betting sheets are available at lottery outlets every Thursday. The schedule of games is listed, along with Over-Under totals, and the odds for each game's three possible outcomes. Players pencil-in their choices and bet size on selection slips which are run through the lottery computer terminal by a cashier. A customer ticket is produced which catalogs the particulars of the wager and lists the amount won if all choices are accurate. Wins of up to \$1,000 may be claimed at any lottery outlet, while prizes over that amount are redeemed at one of the regional offices.

### **SPORT SELECT: A PROGRESS REPORT**

The two currently operating Sport Select formats have proven to be popular, well-run games that have found a respectable market niche. As of November, 1991, the average weekly sales for both Sport Select games is between \$1.2 and \$1.3 million. This figure fluctuates depending on the sport season; it is highest in the fall when hockey and football overlap, sales remain strong in the spring when the hockey playoffs start, and tapers off in the summer when only baseball games

are available. The "Over-Under" game has been particularly impressive, considering it has only been operating a few months. Weekly Over-Under sales account for 60% of the total; this translates into about \$750,000 per week, which is more than quadruple the forecasted average weekly sales.

The betting action by sport breaks down as follows: hockey, 65%; NFL, 22%; CFL, 7%; and baseball, 6%. These figures obviously reflect the popularity of these sports in western Canada, but to some extent they are indicative of the number of games played in each league. In hockey, for example, there are 880 games a season, versus 224 in the NFL and only 72 in the CFL. It was somewhat surprising that hockey wagers outranked NFL wagers by a wide margin; this is counter to the illegal market where NFL games dominate the betting action (Smith, 1990).

### *Player Dynamics*

Interviews with senior Sport Select administrators indicate the player base for Sport Select is approximately 50,000, 60% of whom are from Alberta. This can be explained by Alberta having a larger population than both Manitoba and Saskatchewan and that four professional teams reside in Alberta versus two in Manitoba and only one in Saskatchewan. Unlike the sports betting operations in Nevada and Oregon, where betting on in-state teams is forbidden, Sport Select allows wagering on surrounding area teams.

The majority of Sport Select players are middle income males in the 18 to 34 age category. The average betting transaction is \$5.75 for Pro-Line and \$6.50 for the Over-Under game. Regular players bet upwards of \$40.00 per week in the sports lottery. Sixty per cent of Sport Select players buy other lottery products; but according to Western Canada Lottery Corporation officials, Sport Select has not hurt traditional lottery sales. Sport Select has flourished despite achieving only 4% market penetration. The future of Sport Select is promising, especially if females and males in older age groups can be persuaded to play the game.

### *Payouts*

Approximately 62% of the monies wagered on Sport Select are returned to the players. In the Over-Under game, this figure is reached by paying 5 to 1 odds for a winning 3-game parlay when the real

chances are 1 in 8. The house edge is just as intimidating in the Pro-Line game because of the three possible outcomes (besides winning and losing, ties can enter the picture). In hockey, a tie is what one would expect, two teams with identical scores. The ties in football and baseball, however, are artificial creations of the lottery corporation. A score of one run either way is a tie in baseball, while in football a winning margin of three points or less is deemed a tie. Players can bet on tie outcomes if they wish. The odds are almost always higher than picking a win. Clairvoyance would seem to be a requisite for picking ties accurately, since they occur about 12% of the time in hockey and closer to 20% in football and baseball. Lottery officials say they need ties to offset the disadvantage of not having a movable betting line as Nevada sportsbooks and illegal bookmakers do. The Sport Select odds are set a week in advance and cannot be adjusted, even if conditions change drastically. For instance, an injury to a star player, a mid-season coaching change, or a sudden blizzard can give the player an edge when they occur after the odds and Over-Under totals are made public.

The highest payout in the Sport Select game has been \$895,338.48. The winner, a 39-year-old Edmonton electrician, held 18 valid \$100 Pro-Line tickets. He picked the outcomes of 6 baseball games, including 4 ties. The real odds of completing that 6-game parlay were estimated at 1 million to 1; the player had wagered \$1,800 on a million to 1 shot. What is even more bizarre is that in one of the games, the team batting in the ninth inning held a one-run lead (remember in Pro-Line baseball a tie is one run either way); with a runner on first base, the batter drove the ball deep into the corner, allowing the runner from first to score easily. The umpire ruled the play a ground rule double, however, because a fan had reached down and touched the ball while it was in play. The lead runner was ordered back to third base and no further runs were scored, thus preserving the tie and a jackpot for the fortuitous winner.

## **THE CONSEQUENCES OF SPORTS LOTTERIES**

With the Sport Select sports lottery having been in operation for over a year, it seems appropriate to consider its social impact. This assessment has two main goals: 1. to provide direction for legislators giving thought to starting a sports lottery, and 2. to inform consumers

about sports lotteries so that they can determine for themselves whether or not these activities serve the public interest.

### *The Benefits*

The Western Canada Lottery Corporation is sanctioning an activity that has obvious appeal for a small segment of the population. A daily game is offered that contains the challenging skill element missing from other lottery products. There is a broad menu of betting possibilities: 50 to 60 games per week, from three different sports and four professional leagues. Consumers have easy access to the game, as it is available at over 1,000 lottery terminals in Western Canada. From a legislator's viewpoint, sports lotteries have a twofold advantage: they generate new revenue, which means unpopular tax increases can be kept down; and the monies generally come from a sub-group of society that can afford it (young, middle to upper class, males). This makes a sports lottery the least regressive form of legal gambling.

Despite protestations about their reputations being sullied, professional sports leagues are helped as well. Sports lottery players tend to follow the various leagues more closely, both in person and via the mass media (Orkin, 1991). Ultimately this fan interest translates into increased rights fees paid to the leagues by TV networks. One of the leagues featured in Sport Select, the CFL, benefits directly from lottery dollars. The two Alberta teams (Calgary and Edmonton) have a marketing agreement with Alberta Lotteries worth close to \$1 million each per year. For this handout, the lottery foundation gets to advertise their products at the events and be the major sponsor of an individual game. It is not stretching the point to say that the lifeline keeping some teams from bankruptcy is the injection of lottery funds. The CFL has tacitly endorsed the sports lottery concept because their survival depends on it. Their involvement does, however, quiet any grumbling about the morality of sports betting.

The existence of a sports lottery may serve society by exposing the hypocritical attitude that some professional leagues take toward sports gambling. The leagues contend that their copyrighted team names and schedules cannot be exploited for gambling purposes. Sport Select recognizes this proprietary right but gets around it by identifying teams by their city names; the sanctimonious anti-gambling stance loses credibility when one considers that the leagues "have not openly

challenged the mass media on the morality of conveying point spreads, nor have they criticized legal sports gambling in Nevada" (Smith, 1990, p. 279). A good example of league double-talk is the NHL suing sports lotteries for using the results of their games while, on the other hand, staging a special pre-season game in Las Vegas between teams from their two biggest markets (New York and Los Angeles). A cynic might get the impression that sports gambling is less an ethical concern for professional leagues than it is a monetary concern. It is likely the indignant attitude of the professional sports interests would change if they could get their hands on a share of the sports lottery revenues (Johnson, 1991); experience with the CFL-Sport Select arrangement shows that high-flown principles can be compromised when a piece of the action is at stake.

Critics of legalized sports gambling have called it "self-inflicted poison" (Rose, 1991, p. 81), and say that fixed games will be an inevitable result (Lapchick and Stuckey, 1991). Certainly, incidents of game fixing or point shaving could be catastrophic for both the professional league and the sports lottery. The public is sufficiently aware of past sports gambling scandals that any tie-in with sports and gambling automatically arouses suspicion. One could argue, however, that a well-designed legal sports gambling format could reduce, if not eliminate, this form of corruption. All prior game fixing and point shaving episodes involved betting on single contests, or series, between two teams or individuals, and the betting transactions were always with illegal bookmakers. Since being stung by these betting coups, bookmakers now take the precaution of "carefully monitoring betting patterns. If an unusual pattern emerges, they will stop taking wagers on the contest. Since bookmakers are so wary of fixed events they, in effect serve as policing agents in the sporting world" (Rosecrance, 1987, p. 10). Legal sports books in Nevada have the same concerns, as they maintain regular contact with professional leagues to ensure the honesty of the games (Manteris, 1991).

The Sport Select lottery has two built-in safeguards to protect against the manipulation of sports events: (1) the consumer must pick the outcomes of at least three games, and (2) the maximum wager is \$100. To fix a game, a gambler would have to deal with players on three different teams or three different referees. Even if this could be done, it would be difficult to get enough money down to make it worthwhile. There is also the point that player salaries are so high now,

especially for the stars in a position to alter a game outcome, that there would be no incentive to accept a bribe. It is hard to imagine an inducement lucrative enough for a player to risk ruining his career. To date there has been no scandal associated with any North American sports lottery, nor has there been evidence of organized crime involvement. While sports lotteries may have some negative repercussions, the threats of game rigging and point shaving are quite remote. Several of the most prominent adverse consequences of the Sport Select lottery are discussed in the following section.

### *The Costs*

When governments choose to legalize sports gambling, they take a calculated risk. In effect, they are gambling that the new revenue generated and the entertainment value of sports lotteries will offset any social damages. Making a rational choice is difficult for legislators because the monetary benefits are tangible, whereas fallout from the activity is subtle, indirect, and not immediately recognizable. Given this scenario, cash-strapped governments find it hard to resist sports lotteries; but in opting for sports lotteries, they may be acting counter to a basic government precept (to protect the welfare of its citizens). Sports lotteries threaten the common good in the following ways:

A) A government-sanctioned sports lottery gives sports gambling a veneer of decorum, but the logic is baffling. By legalizing sports gambling, a government is not saying sports gambling is an acceptable activity in, and of, itself. They are saying that sports gambling is O.K. only if it brings in money and if it is government run. Private citizens engaged in the same activity are committing an illegal act. By authorizing sports gambling, the government unwittingly encourages illegal gambling in two ways: (1) by removing the stigma from the activity, thus making it immaterial in people's minds whether they buy a sports lottery ticket or bet with a bookmaker; and (2) players who have been introduced to sports gambling through a government operated sports lottery may seek out the better odds and services offered by illegal bookmakers. Bookmakers in the Edmonton area noted that Sport Select hurt their business initially, but betting volumes rebounded to even higher levels once customers compared the operator's edge (38% in Sport Select versus 4.5% with a bookmaker) and the fact that

bookmakers allow telephone wagering, the use of credit, and offer higher betting limits.

B) The odds presented by Sport Select can only be described as predatory. Players challenging the 38% house edge will find it exceedingly difficult to come out ahead in the long run. An example of the lopsided odds is evident in the Over-Under game. A player betting \$2, and correctly picking 3 outcomes, receives 5 times the bet, or \$10. Even this transaction is deceptive, because the \$10 includes the original \$2 bet, so in reality the player wins \$8. The real chances of winning a 3-team parlay are 1 in 8. A fairer proposition, and one where the government would still make money, and the player has a fighting chance, would be to pay winners at 6 for 1, plus the amount bet. To illustrate, winning a \$2 wager on three games would pay \$12, plus the \$2 bet, for a total of \$14. This is akin to the payouts offered in Nevada for a three-team parlay and a much fairer exchange for consumers. The ethical position of the state is open to question when it takes such a hefty bite of the proceeds.

C) It is a virtual certainty that when a new form of gambling is legalized, more people will gamble; and of those, approximately 3% will become compulsive gamblers (Reilly, 1991). Compulsive gamblers don't suffer in isolation, since their addiction creates a ripple effect that impinges on the lives of family members, friends, and employers (Lesieur, 1992). Besides fracturing relationships, compulsive gambling is often connected with criminal activities such as theft, embezzlement, loan sharking, tax evasion, and so forth. Moreover, compulsive gamblers tend to be more unproductive in their jobs and a drain on the social welfare system.

State-sanctioned gambling may be contributing to gambling addiction in several ways:

1. Citizens are not educated about the potential dangers of gambling.
2. Therapy is not provided for those who do have a gambling problem.
3. Sport Select offers such long odds that even skilled players will lose in the long run; this is especially detrimental for compulsive gamblers because they habitually chase their losses.
4. By not carefully monitoring the age restriction for playing Sport Select, adolescents are gaining access to sports gambling.

D) Devotees of sports gambling find it a labor intensive activity. Serious players can easily put in 40 or 50 hours a week studying past performances, discussing betting strategies, making their wagers, and following the games. Ultimately their passion for sports betting may encroach on their domestic and professional responsibilities. While not referring to compulsive behavior in the sense of out-of-control gambling (they may be making only small wagers, or they may be holding their own in the game), it is important to note that, for some, it becomes a preoccupation that can produce personal and social unrest. For example, (1) both following sports and gambling on sports events are exclusionary activities that inhibit gender relations. "For many males, sports gambling represents a symbolic arena where they can claim or reaffirm their masculinity" (Furst, 1972, p. 52). The combination of gambling and sport offers some males a respite from the ongoing whirl of worldly cares and crises, but they are also agents of dissension that not only emphasize the differences between men and women but also help to preserve the patriarchal status quo; (2) inveterate sports bettors must struggle with the recurring angst that comes from pondering whether the time, money, and effort invested was worth it. To persist in this activity, a player must be mentally tough and have well-developed coping mechanisms; those who don't have these skills frequently go on "tilt" and become problem gamblers (Browne, 1989; Rosecrance, 1985).

E) The television ads for Sport Select urge prospective players to "get in the game." A typical scene features a group of high-spirited young males watching a game in a sports bar and bantering whether the score will be over or under. The primary message is one of excitement, good times, and male-bonding; gambling on a sports event goes hand-in-hand with fun, a few drinks, and being one of the guys. To solidify this impression, "old shoe" sports personalities (former professional hockey and football coaches, well-known to Canadians) testify to the pleasure that awaits if one will just take a flyer. Having pitch-men that are seen as trustworthy, salt-of-the-earth type characters gives Sport Select a cachet of good taste and credibility. These former coaches act as moral entrepreneurs conveying the gospel that sports betting is now a legitimate activity.

The ads are short on specific information: the word "gambling" is never used as players are "picking winners," the details of how to play the game are not spelled out, data on the prize structure, and odds of winning, are missing, and there is no word about where the sport



lottery profits go. The misleading nature of these ads raises the question of how far the state should go in encouraging citizens to bet on sports events. Clotfelter and Cook (1989) have warned that a government's overall trustworthiness is open to challenge if its lottery ads aren't honest, straightforward, and up to high standards of disclosure.

F) Final concerns about sports lotteries, as about all lotteries, are the questions where do the proceeds go and where should they go? At present, the Western Canada Lottery Corporation manages and operates the lotteries, including Sport Select, but the profits from all the lottery products return to each provincial government, based on their proportion of sales. While there are slight differences between provinces in how lottery funds are disbursed, the original intent was to assign the funds to cultural or recreational purposes. When the demand for lottery tickets far eclipsed expectations, governments were able to meet their obligations to culture and recreation, and still accumulate embarrassing reserve funds. Legislation was soon enacted to free lottery dollars from their original purpose (Osborne, 1991). Now, besides sport, culture, and recreation, lottery monies go to medical research, environmental projects, and sometimes directly into general revenue.

The most questionable practice has been the passage of legislation in several provinces that allows lottery funds to be expended at the discretion of the government minister in charge of lotteries. As Osborne (1991, p. 298) notes, this "is a situation ripe for political abuse." In Alberta, the government has been rebuked for using lottery monies as a "slush fund" to buy voters at election time, giving a disproportionate share of lottery funds to government constituencies, and spending money on frivolous projects (\$100,000 for an artificial lake at a private golf course) that benefit a select few. Osborne (1991) maintains that the lack of prudence in the distribution of funds is the "modern lottery scandal"; if disbursement practices don't change, provincial lotteries will be subverted by political corruption.

## CONCLUSION

Ultimately, society's concern with sports lotteries is based on how the sports lotteries affect citizens' quality of life — economically, psychologically, and socially. Sports lotteries in and of themselves aren't necessarily good or evil; their efficacy depends on why they were

implemented and how they are operated. Based on the foregoing analysis of the Sport Select game, I recommend that future sports lotteries be actuated only if *all* of the following criteria are met:

- The pros and cons of sports lotteries be openly debated and the question of whether or not to have one be put to the public in a plebiscite.
- A reasonable portion of the profits from the sports lottery be directed toward educating citizens about the hazards of gambling and providing therapy centers for those unable to control their gambling impulse.
- The ads for sports lotteries should be balanced (that is, besides promoting the game they should state the real odds, where the money goes, and the problem of people betting more than they can afford to lose).
- The interests of sports lottery consumers must be protected by ensuring a fair return on their wagers. One possibility is to make the sports lottery take-out the same as it is in the horse racing industry, about 17%. This is still high, but more than 50% better than it is now.
- The disbursement of sports lottery monies should not be left to the discretion of the minister in charge of lotteries. The dollars could be earmarked for a specific purpose as they are in Oregon, or as Osborne (1991) counsels, the power to make lottery grants might be given to an impartial, independent "Lotteries Advisory Committee" that would have some citizen involvement.

A sports lottery operating on these principles would not only be economically viable for the state but also challenging and fun for the consumer, and in harmony with the goals of a just society.

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