

# For a Dollar and a Dream: State Lotteries and the American Culture of Inequality, 1964-2014

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According to the Pew Research Center, 50% of Americans have bought a lottery ticket in their lifetime and 25% do so at least once a week, amounting to over \$70 billion spent on lotteries in 2014 alone. My dissertation traces the rise of state lotteries in the political, cultural, religious, and economic context of the late twentieth century. Unlike previous studies that assume a timeless popularity of gambling, I argue that lotteries illustrate how individuals as well as state governments responded to economic uncertainty. As the economy increasingly failed to provide middle- and working-class Americans with financial stability through traditional means, many turned to lotteries as alternative avenues of social advancement. With similar hopes for a financial windfall in an era of tax rebellion, government officials turned to lotteries in this period to address increasingly imbalanced state and municipal budgets.

As I began researching American state lotteries, it became clear that New York would present a central case study for my dissertation. In 1966, New York became the second state to legalize a lottery and its lottery has been the highest selling in the United States for over two decades. Yet, rather than merely focus on the New York Lottery at the height of its success, I came to the Rockefeller Archive Center (RAC) hoping to learn about how New York's lottery came into existence. While I examined hundreds of files in my time at the RAC, the crux of my research was spent investigating the letters ordinary New Yorkers wrote to Governor Nelson Rockefeller in the 1960s to express their views on the lottery. While previous studies have noted the role of tax and revenue considerations in driving support for state lotteries, none has yet examined the voices of individual voters who supported and opposed the legalization of gambling.<sup>1</sup> In this paper, I highlight some of the most prevalent arguments in support of and in opposition to a lottery in New York. Through the voices of ordinary citizens, my work reveals a fundamental parallel between taxpayers and gamblers: both viewed the lottery as a financial panacea. Through the words of these voters, I reveal the expectations of a lottery and the consequences of unfulfilled expectations.

Throughout the 1960s, lottery proponents both in and outside Albany expected a state lottery to provide a fiscal windfall for their state. Indeed, estimates among New York state senators at the time claimed that a New York lottery could earn as much as \$400 million for the state per year.<sup>2</sup> John Chathenberger of Kew Gardens wrote to Governor Rockefeller in 1965 that he had “read with disgust [that Rockefeller was] against a state lottery, even though it would bring in \$240 million a year. Why?” One anonymous Dominican immigrant agreed, claiming that they were in favor of a state lottery which they predicted “will far exceed expectations.”<sup>3</sup> William Eaton of Buffalo concurred: “I believe the state lottery will turn out real good [sic] for the many needs of the state....”<sup>4</sup>

As illustrated by such hyperbolic estimates, New Yorkers had little conception of the limits of gambling as a means of raising state revenue. Nonetheless, buoyed by images of overflowing state coffers, taxpayers saw a state-run lottery as an alternative to taxes. Instead of income, sales, or property levies, state government functions could be paid for using gambling revenue. For example, Claude S. Antis Jr. of Johnston explained that a lottery

is a God send to raise money for the needs of the poor people of New York State. ... [M]ost of the people can not stand more taxes, so the only way to raise more money is to approve a state lottery ... monies coming from the state lottery could help them in the purchase of needed school books, milk for the children that can't afford it and other needed school aids.<sup>5</sup>

Like Johnston, most New Yorkers who wrote to Rockefeller supported the maintenance of a powerful and robust state government. What they opposed was further taxation. One citizen claimed that “the lottery will get the revenue you need to run the state” while another wrote that “if the people of New York State had a lottery once a month we could raise enough money so we would not have to tax the people so much.”<sup>6</sup>

Some New Yorkers went so far as to imply that a lottery could eliminate taxes altogether. Particularly those struggling with their current tax burdens imagined the lottery as their fiscal savior. “I wish to respectfully ask you what you think we are going to live on if you keep raising taxes. You know we do not all have the income you have,” one angry Albany voter wrote to Rockefeller: “If you would legalize a lottery I am sure it would eliminate further taxation of the citizens.”<sup>7</sup> Morris Rassman of Brooklyn agreed: “I can appreciate your need to find sources of revenue to meet the rising costs of running the State government.... A lottery ... would bring in enough money to meet all the needs of this state. It would be a better way of raising funds than new taxes all the time...”<sup>8</sup> In 1965, Phyllis Keiagek of Buffalo explained to Rockefeller: “Instead of increased taxes, fees ... how about a bi-weekly lottery or similar? ... I’m sure there would be a lot of takers. You can’t imagine how tough it is scraping through from pay to pay. All this talk about increased taxes makes life seem that much more unbearable.”<sup>9</sup>

The popular vision of a lottery as a viable alternative to taxes was built around specific ideas of where this new revenue would come from. Ruth Baer of Briarcliff Manor wrote in 1964 that, “Since NY State needs more revenue—why would we not have a state lottery like New Hampshire[?] It seems such a painless way to raise taxes.”<sup>10</sup> Similarly, a group describing itself as the “American Reclamation Committee” sent Rockefeller a proposal for a state lottery, explaining: “This lottery is a very important step New York state is taking because lottery money, at best, represents unearned money...”<sup>11</sup> The notion that lottery revenue was painless bore particular classed and racialized implication. When voters and officials imagined “painless” lottery revenue they meant painless to the—implicitly white and suburban—taxpayer. Rather than extract tax dollars from the presumably non-gambling white suburbanite, proponents envisioned the lottery as a conduit by which the losses of poor or black gamblers could fill state coffers. Thus, advocates presented the lottery as creating a brand new source of state revenue, one capable of solving the state’s budget crisis without imposing on the taxpayer.

Lottery supporters utilized a number of arguments to justify their proposal that the state government should profit from gambling. Foremost was the belief that illegal lottery playing was already widespread. Rather than proliferate gambling, lottery supporters claimed, a state-run game would allow New York to garner revenue from something happening anyway, as poor New Yorkers already spent huge percentages of their income on gambling. The perception of a prevalent illegal wagering market was largely accurate. According to one 1964 anti-gambling pamphlet, Americans spent approximately \$5 billion per year on illegal lotteries.<sup>12</sup> In New York City alone, players bet up to \$600 million annually. Though the imagined numbers player was often black—largely due to the disproportionate policing of black numbers games—Matthew Vaz illustrates that white mobsters—with the help of corrupt urban police departments—had taken over the business between the 1940s and 1960s and had begun attracting more white working-class players.<sup>13</sup>

With their eye towards illegal players, lottery advocates assumed gambling among the poor to be inevitable. Through a state-run lottery, the poor could continue to gamble while regular, non-gambling taxpayers could gain tax relief with the revenue. “People will gamble, and the underworld is getting nearly all the proceeds at the present,” one New Yorker wrote. “This money helps to finance other illegal activities...”<sup>14</sup> One New York City resident explained: “A \$250 [million lottery] is good for all—money for schools, we gamble anyway! It will not take money from the poor any more than they do now in bingo” and other forms of gambling.<sup>15</sup> In addition to other forms of gambling in New York, voters saw the flock of gamblers to participate in the New Hampshire Lottery and sought to keep that money in their own state. G. Wallace Cane of Greenwood Lake explained that players want to be free to do what they want and buy Sweepstakes tickets “in their own state instead of sending some abroad, for this would give them the thrill of possibly winning or at least contributing to the welfare of the State and securing a reduction in their taxes accordingly. ... No matter whether the

Sweepstakes purchasers wins or loses, he gains thru [sic] reduction of taxes and naturally is for it, and the thrill that goes with it.”<sup>16</sup>

However, lottery opponents refused to imagine a state-run sweepstakes as a financial panacea. Like the lottery supporters, opponents did not coalesce into an organized movement, but individually raised their voices throughout the 1960s to express their unease with a legal lottery. The anti-lottery camp directly addressed many of the points raised by lottery proponents. For example, while lottery advocates claimed that legalization could wipe out organized crime, lottery opponents envisioned that the legalization of gambling would *invite* crime. One Rochester woman believed that her state was “big and strong enuf [sic] to handle education ... without the gambling money” which she maintained would invite “graft and fraud.”<sup>17</sup> Abraham Goldstein of New York City wrote in 1966 that he was “of the opinion that this [lottery] is opening a wedge to legalized gambling in this state with all its corrupt influences.”<sup>18</sup>

In addition to attention to crime, opponents relied on two arguments to oppose a state lottery. Both of their central claims sought to directly counter supporters’ assertions that a lottery could provide a new, painless source of vital revenue for the state. Opponents highlighted the overlooked costs of a lottery for both individual gamblers and the state. First, opponents underlined the regressive nature of lottery playing: the state would not be garnering income *ex nihilo*, but would attract revenue from its poorest citizens who would be further enticed to gamble if they could do so legally. For instance, one Little Neck resident wrote that he opposed the lottery because “the poor will be the ones who will support the middle class and upper class schools. ... [A] poor working man will take the far-fetched gamble to try to better his lot. ... this is wrong.”<sup>19</sup> Norman Le Van concurred: “This method of raising funds is contrary to all Christian teachings ... the lure of something for nothing will appeal to those who can not afford the loss with the odds so much against them. It cannot help but increase our welfare load, this class of person so tempted by the get rich appeal will spend every available

cent they posses [sic].”<sup>20</sup> One Great Neck woman wrote that she did not approve of her state’s lottery “because it wastes money ... a man may decide to try his luck with a week’s salary.”<sup>21</sup> Like lottery supporters, opponents understood that the poor would serve as the state lottery’s most prominent patrons. However, rather than trumpet the possibilities of the Empire State earning revenue from gamblers’ losses, opponents cautioned against further harming the poor and undermining what they believed to be the traditional work ethic that celebrated hard work—rather than luck—as the only proper avenue to material success.

In their second argument, lottery opponents drew direct parallels between the actions of players and the state itself: just as gamblers were misguided for trying to earn something for nothing, so too politicians should not attempt to solve budgetary problems with tokenistic lottery revenue. While supporters championed the lottery precisely on the grounds that it provided a major new source of state income, lottery opponents were among the few New Yorkers who recognized the limited returns the lottery would provide relative to the true scale of the state’s fiscal problems. The Riverview Parent Teachers’ Association, for instance, wrote to Rockefeller that they opposed the lottery because gambling represented an unsound and unpredictable means of education funding: “We believe, that taxes with broad bases, justly levied and equally distributed are sound guide lines for financing Education.”<sup>22</sup> The Episcopal Bishop of Albany agreed: “It is a sad moment in the history of this State when its Legislature can find no better way to meet an understandable and growing budget for mass education. The proposal is unimaginative, undignified and unworthy of one of the wealthiest political jurisdictions in the Nation.”<sup>23</sup>

Other opponents, however, admitted that they did not support a state lottery despite its revenue potential. R. Paul Jones of New York City wrote in 1966:

A lottery ... would bring in large revenues, granted. But this form of lottery, like all lotteries or numbers gambling, appeals to that segment of

the population who can least afford the money spent. Their need for money—‘a lot of money’ induces them to spend 50c, or a dollar a day on the ‘numbers’, which is automatically a fifty percent loss to them over the long average, does not enrich the government, causes the need for a large investigation force to curb the racket, and enriches the racketeers in the state.

Kenneth King of Boston, New York agreed: “Personally, I would benefit, since I would never play it. The overall effect of gambling, however, is in the direction of evil, and the State should certainly not promote it.”<sup>24</sup> Even as they opposed the lottery, these opponents implicitly acknowledged what others vehemently denied: that a lottery could raise significant sums that could help balance state budgets. Thus, it remains clear that the exaggerated expectations put forth by lottery supporters in Albany captured the public imagination. Even those opposed to the lottery had to reconcile their opposition with the lottery’s celebrated potential as a revenue producer.

Unsurprisingly given the high expectations, New York Lottery sales disappointed proponents once they began in 1967. Despite projections of hundreds of millions of dollars in revenue, the lottery sent \$52,098,171 to the state’s education fund over its first 20 months of operation. “While this is not an inconsiderable sum,” a lottery official wrote to Rockefeller, “it is short of what we had hoped for, even under the limited circumstance in which we operate.”<sup>25</sup> These “limited circumstances” represented New York’s attempt to make its lottery a respectable operation. Players were required to write their names and addresses to complete their ticket purchase and tickets themselves were \$1, much more expensive than illegal numbers slips. Like the New Hampshire Lottery before it, New York offered infrequent drawing which relied on a complicated system of multiple raffles and horse races to maintain the lottery’s nobility, avoid federal taxation, and ensure the sweepstakes could not be rigged. Yet, after the New Jersey Lottery found unprecedented success with cheaper tickets and more frequent drawings in



1971, New York revised its lottery operations. Though Rockefeller and his staff had assisted the New Jersey state government in its creation of its lottery, they quickly recognized the need to compete not only with illegal gambling operations, but other state enterprises as well. Using New Jersey as a model, New York revised its lottery system in the early 1970s, moving towards cheaper tickets and away from drawings based on horse races.<sup>26</sup>

In sum, the history of the New York State Lottery reveals a great deal about taxation as well as gambling policy in the 1960s. In particular, the lottery represents a heretofore overlooked locus on tax anger. When it failed to meet its hyperbolic expectations—which were shared by proponents and opponents alike—it drove many New Yorkers to further distrust the state-level taxes that would become highly contentious during the tax revolt of the 1970s. Winifred McIntyre of Wingdale, New York wrote to Rockefeller in 1969: “I am writing you to ask you if you are trying to send us all to the poor house, as we will lose our homes if this school tax keeps up. I thought the lottery was to keep the schools [sic], what is being doing with this money.”<sup>27</sup> Rather than illustrate the inadequacies of gambling as a means of raising state revenue, the failure of the lottery to fully fund the New York state government led to a distrust towards all forms of taxation.

While I am still processing the huge number of documents I examined while at the Rockefeller Archive Center, the letters from New Yorkers to Governor Rockefeller reveal a great deal about the dynamics of lottery legalization. Their letters, as well as the curious fate of the New York State Lottery—which was shut down for a year after Rockefeller left office—will sit at the heart of my investigation of lotteries in the context of the tumultuous economic climate of the late twentieth century.

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<sup>1</sup> Works not cited elsewhere that discuss the creation of state lotteries in this period include: Vicki Abt, James Frederick Smith, and Eugene Martin Christiansen, *The Business of Risk: Commercial Gambling in Mainstream America* (Lawrence, KS: University Press of Kansas, 1985); Charles T. Clotfelter and Philip J. Cook, *Selling Hope: State Lotteries in America* (Cambridge and London: Harvard University Press, 1989); Richard McGowan, *State Lotteries and Legalized Gambling: Painless Revenue Or Painful Mirage* (Westport, CT: Quorum Books, 1994); Robert Goodman, *The Luck Business: The Devastating Consequences and Broken Promises of America's Gambling Explosion* (New York: The Free Press, 1995); David Nibert, *Hitting the Lottery Jackpot: State Governments and the Taxing of Dreams* (Monthly Review Press, 1999); John Lyman Mason and Michael Nelson, *Governing Gambling* (New York: Century Foundation Press, 2001); David G. Schwartz, *Roll the Bones: The History of Gambling* (New York: Gotham Books, 2006); Matthew Sweeney, *The Lottery Wars: Long Odds, Fast Money, and the Battle Over an American Institution* (Bloomsbury Publishing USA, 2009).

<sup>2</sup> John Sibley, "Bill Authorizing a Lottery Approved by State Senate," *New York Times*, June 15, 1965, 1

<sup>3</sup> Anonymous Dominican national to Nelson Rockefeller, November 30, 1966, Reel 34, Series 37, Files: Taxation, File: Revenue, Subseries 2: Second Administration, Office Subject Files, Nelson Rockefeller Gubernatorial Files, Rockefeller Archive Center, Sleepy Hollow, New York (hereafter "RAC").

<sup>4</sup> William Eaton to Nelson Rockefeller, December 12, 1966, Reel 34, Series 37, RAC.

<sup>5</sup> Claude S. Antis Jr. to Nelson Rockefeller, May 25, 1966, Reel 34, Series 37, RAC.

<sup>6</sup> Richard Garrett to Nelson Rockefeller, (n.d. approximately October 1963) and George E. Beattie to Nelson Rockefeller, January 25, 1963, both in Reel 34, Series 37, RAC.

<sup>7</sup> Agnew M. Trant to Nelson Rockefeller, February 24, 1965, Reel 34, Series 37, RAC.

<sup>8</sup> Morris Rassman to Nelson Rockefeller, February 13, 1963, Reel 34, Series 37, RAC.

<sup>9</sup> Phyllis Keiagek to Nelson Rockefeller, February 23, 1965, Reel 34, Series 37, RAC.

<sup>10</sup> Ruth Baer to Nelson Rockefeller, November 23, 1964, Reel 34, Series 37, RAC.

<sup>11</sup> American Reclamation Committee to Nelson Rockefeller, (n.d. approximately December 1963), Reel 34, Series 37, RAC.

<sup>12</sup> Gordon Cole and Sidney Margolius, "When You Gamble-You Risk More Than Your Money," *Public Affairs* pamphlet No. 354 (Public Affairs Committee, Inc., 1964), 7.

<sup>13</sup> Fund for the City of New York, *Legal Gambling in New York: A Discussion of Numbers and Sports Betting* (New York: Fund for the City of New York, 1972), 2; Matthew Vaz, "'We Intend to Run It': Racial Politics, Illegal Gambling, and the Rise of Government Lotteries in the United States, 1960–1985," *Journal of American History* 101, no. 1 (June 2014): 71–96.

<sup>14</sup> Edward Walsh to Nelson Rockefeller, January 28, 1966, Reel 34, Series 37, RAC.

<sup>15</sup> B. Bernstein to Nelson Rockefeller, August 2, 1965, Reel 34, Series 37, RAC.

<sup>16</sup> G. Wallace Cane to Nelson Rockefeller, January 4, 1965, Reel 34, Series 37, RAC.

<sup>17</sup> Mrs. Milton Bond to Nelson Rockefeller, October 31, 1966, Reel 34, Series 37, RAC.

<sup>18</sup> Abraham Goldstein to Nelson Rockefeller, September 16, 1966, Reel 34, Series 37, RAC.

<sup>19</sup> Robert Warner to Nelson Rockefeller, June 4, 1967, Reel 42, Series 37, File: Lottery, Subseries 3: Third Administration, Office Subject Files, Nelson Rockefeller Gubernatorial Files, RAC.

<sup>20</sup> Norman Le Van to Nelson Rockefeller, December 5, 1966, Reel 34, Series 37, RAC.

<sup>21</sup> Letter from Susan Grosberg to Nelson Rockefeller, April 19, 1967, Reel 42, Series 37, RAC.

<sup>22</sup> Marilyn Zrehelagy to Nelson Rockefeller, October 25, 1966, Reel 34, Series 37, RAC.

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<sup>23</sup> Allen W. Brown to Nelson Rockefeller, February 7, 1966, Reel 34, Series 37, RAC.

<sup>24</sup> Kenneth King to Nelson Rockefeller, December 7, 1965, Reel 34, Series 37, RAC.

<sup>25</sup> Joseph H. Murphy to Nelson Rockefeller, "Lottery (Confidential)," February 27, 1969, Folder: 332, Box 14, Ann C. Whiteman Papers—Series P: Politics (FA351), Nelson A. Rockefeller Personal Papers, RAC.

<sup>26</sup> Robert R. Douglass to Howard P. Miller, "State lottery ticket price," July 23, 1971, Reel 39, Series 37, File: Taxation, File: Revenue, Subseries 4: Fourth Administration, Office Subject Files, Nelson Rockefeller Gubernatorial Files, RAC.

<sup>27</sup> Letter from Winifred McIntyre to Nelson Rockefeller, September 15, 1969, Reel 42, Series 37, RAC.