THE GLOBAL GAMBLE

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Purchasing a lottery ticket is, for millions of people worldwide, a part of daily life.

Last November a group of journalists from Africa, Australia, Europe, Latin America, and the United States met during the Africa Investigative Journalism Conference in Johannesburg, South Africa. Over a bottle of red wine or two, we discussed the possibility of undertaking an investigation into the transnational links, architecture, and impact of the global lottery industry. What we have learned since then has astounded us.

First is the sheer volume of money involved. In 2014 people across the globe spent $293 billion on lottery tickets in the hope of converting their dreams of affluence into reality, according to the World Lottery Association's Global Lottery Data Compendium 2015. Staggeringly, that figure is greater than the gross domestic product of 157 countries.

We also found that eight companies play an outsized role, operating in as many as 100 countries. They often act in similar ways, using their international experience as leverage to enter new markets. Government officials can sometimes receive political contributions from the companies they are charged with overseeing.

These same companies are the top funders of the World Lottery Association (WLA), a nonprofit association based in Basel, Switzerland. Members from six continents account for more than 90 percent of state-sponsored lotteries' revenues. On its website the WLA touts its commitment to standards of responsible gaming and says that all member lotteries contribute the majority of their net revenues to good causes. But minutes of a 2012 board meeting associated with the Illinois Lottery, a WLA member, show the percentage of lottery revenue that went to public education in that state fell steadily from 41 percent in the mid-1980s to 28 percent earlier this decade. In response to a question from a board member, then-Illinois Lottery director Michael Jones said that the share of money for education declined so the lottery could increase the percentage of each dollar going to winning players.

The WLA also holds seminars and international conferences where industry leaders share strategies for marketing to players and boosting sales. Studies in the United States and Europe have consistently shown that people who play the lottery are disproportionately poor. That's also true in South Africa, where a study commissioned by the National Lotteries Commission and published in 2011 found that more than two-thirds of players earn less than 5,000 Rand ($383) per month. These findings give credence to the argument that lotteries in many instances amount to a regressive tax.

But some of the megacompanies that profit from the poor are themselves paying very little in taxes. As we report in this issue of *World Policy Journal*, International Game Technology, formerly known as GTech and one of the largest lottery titans, has engaged in tax avoidance moves worth more than $600 million. Specifically, the company "inverted" its operations from Italy and the United States to the United Kingdom, thereby slashing its tax rates by close to half.

Lottery boosters often extol the social benefits they say the games bring. But in South Africa we discovered two grants from 2015 and 2016 totaling more than $4.5 million to a private

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school with just 176 students and 13 teachers. That amount surpasses all but 20 grants in the lottery's 15-year history, according to an analysis by civic tech group OpenUp. Local public schools received roughly 40 times less lottery funding on average, OpenUp found.

We also discovered that a disproportionate amount of lottery funding went to sports organizations. The South African Sports Confederation and Olympic Committee (SASCOC) has been the biggest recipient of lottery revenues in the country, yet some athletes had to resort to crowdfunding and other fundraising initiatives to cover some of their costs to compete in the 2016 Olympics in Brazil.

But SASCOC paid for business class flights and accommodations for a delegation from South Africa's parliament to attend the Olympics. Our research also found that six years ago, allegations of conflicts of interest were raised in parliament against members of the board responsible for adjudicating grant applications. No new procedures or safeguards appear to have been put in place, however, as similar concerns were brought forward again last fall.

At the same time, it appears that funding to the South African Society for the Prevention of Cruelty to Animals (SPCA) could be cut dramatically if the lottery follows through on a proposed plan to focus its grant making on poverty alleviation. Critics of the plan say it overlooks the fact that the SPCA, which has received roughly $7.7 million from the national lottery since 2002, is active in poor communities treating sick animals for little or no charge. The group also works in rural areas, caring for donkeys, oxen, and other beasts of burden that people depend on to produce food and earn a living.

Meanwhile, in Mali, reporting by David Dembele, who works with the International Consortium of Investigative Journalists, has exposed the lavish events held by the ruling political party that were funded by the country's national lottery.

And in the United States, team members conducted an extensive investigation of high-frequency lottery winners across the country. A number of these winners have been found to have committed fraud. Government agencies across the nation have voiced suspicions about lottery fraud stretching back to the 1990s, but the presence of repeat winners has continued largely unchecked.

It's most pronounced in Massachusetts, the state with the highest average per capita spending on lottery tickets in the country. Top players there won thousands of times from 2011 to 2016. Statistician Philip Stark of the University of California, Berkeley calculated that if everyone in the state each spent $250 million, the chance that any of them would win as much as one of the top winners was less than one in 10 million. These odds were so extreme that Stark redid the calculation to ensure that it was correct.

We have been publishing our lottery-related stories as we uncover them. We are committed to continuing to dig into this critical issue that affects hundreds of millions of people around the globe, and have designed a simple, easy-to-navigate online tool containing all the data we've compiled on grantee recipients of South Africa's lottery. We plan to make it accessible to journalists, activists, and members of the public, who can use it to chase down other stories.

We look forward to hearing your ideas on what else we should cover. Our stories paint a deeply unsettling portrait of an industry that is thoroughly integrated into the fabric of daily activity, but about which we have known very little, until now. ●

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