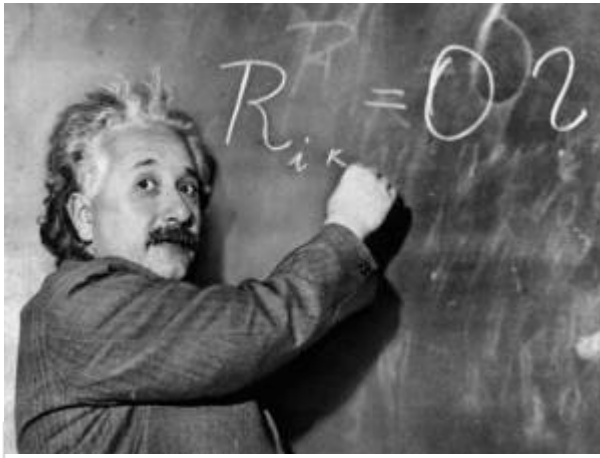


Ethics Alarms

AUGUST 4, 2012 · 12:53 PM

Massachusetts: A State Lottery Shows Its Corrupt And Irresponsible Core



“Hey! No fair! Smart people aren’t supposed to play the lottery!”

On one level, I love this story, for it confirms what I have been arguing for over a decade. State lotteries represent an unethical capitulation of governments to laziness, cowardice and greed, as they choose emulate casinos to entice the poor, desperate and stupid to give away their money rather than do their duty and make hard political choices about taxes. The inherent corruption this engenders was beautifully demonstrated by the lottery scandal recently revealed in Massachusetts.

A group of science and math whizzes, many of whom had MIT credentials, formed a gambling syndicate to beat the lottery, and did, generating almost \$8 million in winnings after exploiting a flaw in the lottery rules to execute a system that virtually guaranteed profit. Their domination of the lottery continued over seven years, and was known about by lottery officials, who did nothing. Why? Because the money was coming in, and they didn’t understand that they were facing a net loss.

The system required a massive investment of \$40 million dollars over the seven years to win \$48 million. Obviously, this is beyond the resources of the typical wino who buys tickets at the 7-11, the typical prey of these state-endorsed and despicable scams. You can read the whole amazing story [here](#) and [here](#).

Let’s tote up the ethical breaches on display in the Bay State:

1. The state was **incompetent**, designing a lottery for the purpose of raising revenue for important public

purposes like education, and doing so badly, so that it was not what a lottery is supposed to be—*gambling*. Instead, it was a money tree for anyone smart enough to figure out the secret.

2. The lottery was even more **unfair** than other lotteries. Other lotteries exploit the stupid and poor to take their money; this one did that, and then gave the money to the rich and well-educated.

3. Massachusetts was **dishonest**. For seven years it continued to advertise its lottery as a fair game in which all players had an equal chance of winning, when it knew that MIT sharpies were monopolizing the winnings with computer programs and millions of dollars to invest.

4. The state was **incompetent**, indeed, stupid, losing \$8 million dollars by not bothering to fix the loophole in its rules that allowed the MIT syndicate to turn its revenue stream into a private cash cow.

Meanwhile, should we heap disdain and condemnation on the syndicate itself? I certainly won't. It played by the rules, and won by the rules, just like card counters were playing fair and square when they cleaned up at blackjack tables before the casinos made it cheating to have a good memory. One can't say that the gambling geeks didn't adhere to the spirit of the game, when the spirit of state lotteries is "*give us money you can't afford to lose in a desperate hope that you'll win an obscene jackpot composed of the money pissed away by other gullible people that you will almost certainly blow through like potato chips for the same reason you're playing the lottery in the first place—you're dumb.*"

The state has no right to con its citizens. The syndicate earned its money honorably, unlike Massachusetts and the other states that use exploitation and desperation to make lotteries do the work its lawmakers are too cowardly to do.

Pointer: [Ann Althouse](#)

Facts: [Daily Mail](#)

Source: [Boston Globe](#)

Graphic: [Calnewport](#)

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14 responses to “*Massachusetts: A State Lottery Shows Its Corrupt And Irresponsible Core*”

sue schumacher

August 4, 2012 at 3:37 pm



I agree, the “syndicates” shouldn’t be attacked as they played by the rules. Additionally, they invested a lot of money on the hypothesis that statistically they would win significantly more money than invested – they could have been wrong.

What I find most interesting is that this appears to be a brief flash-in-the-pan news story, at least nationally. State and multi-state lotteries are endemic in the US. Here, we have bright university folks that figured out how to beat a state lottery to win the vast majority of the money. The mere fact that it was done once (over numerous years, accumulating millions of dollars) implies that it could occur again.

Why aren’t more people concerned? There’s some serious implications here:

1. If I bought a ticket, the syndicate purchases greatly lowered my chances of winning (ok, not that my chances were good in the first place, but still...)
2. The state employees/consultants that designed the game were not smart enough to see this gigantic statistical loophole
3. Even when the state saw the loophole being used, they did nothing. In fact, they expressed some backhanded admiration for the syndicate as they figured out what was going on.

4. The state continued to do nothing until this was exposed by the Boston Globe newspaper.

Granted, this doesn't have the same financial implications for the nation as did the FreddieMac/FannieMay problems.....but it does show a stunning lack of concern, ethics, and mathematical competency — after all, what is a lottery game (or a casino) but figuring out statistical odds.

I suppose this all boils down to my personal angst — if these allegedly competent state employees/consultants can't figure out how to run a mathematical game correctly, and immediately report ethical concerns with the running of the game — how can I trust them to use my tax money appropriately instead of pissing it away and failing to report problems?

[Reply](#)

michael

August 4, 2012 at 8:27 pm



At first this seemed very odd. The lottery found out that a group was gaming the lottery and making guaranteed money. They should have gone back and redesigned the games. The odd thing is...they didn't care. The rolldown was intended to pay out the money. This group just figured out how to 'harvest' this rolldown. I wonder if the lottery officials would have put a stop to it if it wasn't such an upstanding group of people?

[Reply](#)

Bill

August 4, 2012 at 9:47 pm



There was a similar situation here in Virginia a couple years back where another syndicate figured the numbers they had to play and the number of tickets they had to buy to win the lottery and the other cash wards for lesser ticket combinations. So what did Virginia do after that happened? They changed the rules for how you could buy tickets to insure it didn't happen again.

I will admit I play the lottery when the jackpot gets huge. I figure what the hell. I spend ten bucks and I may win a lot of money. But I don't understand the people I see who play it everyday.

There is a gas station by my office that after a pakistani gentlemen bought it he got rid of the lottery machine and the scratch off tickets. I asked him why and he said that as a Muslim he didn't gamble and wouldn't have it in his store as it took advantage of those who could least afford it.

I also use to work with man who did five years in prison for running a numbers racket in Alexandria. When they started the lottery he expressed the feeling that he fought it was wrong that something the star locked up for the state was now doing themselves. He had no bitterness he just thought the state found things to be wrong until they could find a way to make money off it themselves then it was ok.

Reply

TheWordpressGhost

August 5, 2012 at 1:43 pm



Reblogged this on [thewordpressghost](#) and commented:

Everyone,

I gotta ask some questions that jumped out at me as I read this article

But, first, I loved the blog post. And it had some insightful statements.

And of course, I agree that lotteries are conducted by terrible politicians who are lazy and want quick fixes to their overspending problems.

OK to the questions raised,

1) "When did scamming become ethical?"

2) Is a meager 2.8% rate of return on investment truly an indicator of 'intelligence?' NOTE: that did not include costs from what I read

And why is it OK for MIT syndicates to con the taxpayer, but it is despicable for the state to do so? Isn't that a double standard?

I think it should be unethical and despicable for anyone to cheat and steal from anyone

Ghost.

Reply

Jack Marshall

August 5, 2012 at 11:18 pm



How did MIT "scam" anyone? They certainly didn't. They broke no rules. What's your theory?

Reply

TheWordpressGhost

August 6, 2012 at 10:36 pm



Jack,

You really did twist those words and fire them back at me. However, those were your words:

4. The state was incompetent, indeed, stupid, losing \$8 million dollars by not bothering to

fix the loophole in its rules that allowed the **MIT syndicate to turn its revenue stream** into a private cash cow.

So, did you attribute this to an MIT syndicate con or not? Personally, I think gambling is one thing when it is entertainment only. But, as soon as real money enters in, the addictiveness of potential greed is destructive.

No matter who profits. Don't we agree?

☺

Ghost.

[Reply](#)

Jack Marshall

August 6, 2012 at 10:48 pm



I don't get you. Exploiting the loopholes in a game's rules does not constitute "a con." It is not the job of competitors to try to play by the rules they think the organizers wanted to or should have established. The MIT syndicate used the rules as they were written to make money. The state is the one engaged in the con. The syndicate didn't hide its efforts, and indeed the lottery was aware of what was going on. No deception, adherence to the rules. Where's the con?

On your last point, I do agree. But without the chance to win significant money, gambling isn't very entertaining. You can't play good poker for pennies, for instance, because strategy doesn't work.

[Reply](#)

TheWordpressGhost

August 6, 2012 at 10:54 pm



You play your hand well.

Kudos.

[Reply](#)

49erDweet

August 5, 2012 at 8:55 pm

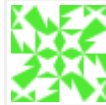


I agree with all four points Jack expounds. Point 3, though, twists my shorts the most. State employees had at least a fiduciary duty to run a fair and equitable lottery (buying, for the moment, the argument there can actually be such a thing). Knowing how state legislators tend to over-regulate everything in sight I'd bet a Chick-fil-A or In-N-Out outing for four their failure to fix the problem violated *some* point of other of specific Massachusetts law. That prosecutors in the Codfish State are reluctant to bell that cat is not politically surprising, so methinks my Greek friend Jack should be considering a fifth ethical alarm – failure of *other* state employees in the commonwealth's Attorney General's office to uphold the rule of law. Shame on Martha Coakley and her crew.

[Reply](#)

ech

August 7, 2012 at 4:55 pm



Point 4 is wrong. The state lost no money. All of the money paid to the syndicate was already allocated to be paid to winners.

Point 3 is arguably wrong. The syndicate didn't affect the *chances* of others – they did nothing to change what numbers were drawn, or the odds of a particular ticket winning. They did affect the *amount* you would win if they had the same numbers as you, but that was true if others bought the same numbers.

[Reply](#)

Jack Marshall

August 7, 2012 at 5:45 pm



Explain to me how a gaming participant can invest 40 million dollars and take out 48 million and not cost the state money.

[Reply](#)

Daniel

February 21, 2015 at 4:37 pm



They invested 40 million, took back 48 million. The extra 8 million, plus the state profit, came from other players who won nothing.

[Reply](#)

Daniel

February 21, 2015 at 4:39 pm

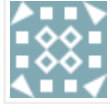


Basically the same concept as me buying only one 5 dollar ticket and winning 20 dollars and quitting while I'm ahead. Did I cost the state money?

[Reply](#)

James Cinquegrano

March 5, 2017 at 11:04 am



Massachusetts All or Nothing lottery is fixed. A ticket bought the evening before, changed from \$18 payout to a \$4 payout. Online site, wrote tickets are good for 1 year. All or nothing is corrupt/fixed!

[Reply](#)
