

LIBERATE THE LOTTERY!

AGAINST THE STATE REGULATION OF THE BRITISH NATIONAL LOTTERY

GARETH WILLIAMS AND STUART BARROW

Camelot's winning of the exclusive right to operate the British National Lottery was the first such contract since 1826. Whilst applauding any erosion of our archaic gambling restrictions, we cannot help but feel despair at the damage inflicted by yet more unnecessary regulation. Rather than merely lifting the regulations prohibiting the provision of this service and leaving a free and dynamic economy to thrive, the lifting of old coercive legislation was simply followed by the imposition of new equally coercive statutes.

YET ANOTHER MONOPOLY

Licence was granted for a new monopoly to exist. Unwilling to permit any competition which would challenge the supremacy of this monopoly, the State now outlaws the functioning of *any lottery with an annual turnover greater than £5 million*. (The National Lottery has a turnover of some £6 billion.)

The monopolistic nature of the Lottery has, as we shall see, already manifested itself in the form of poor consumer service and unresponsiveness to consumer demand.

Companies enjoying a captive market can raise revenue through employment of unethical business practices the like of which would be unfeasible in a competitive market. It would be wrong to speculate as to whether Camelot leaked the identity of the now (in)famous £18m lottery winner deliberately, though it is easy to see why this may happen. Monopoly status enables it to increase its revenue by any practice which increases the overall size of the lottery market, including practices of an ethically questionable nature. By comparison, in a free market, revenue cannot be increased in this way, for although the size of the lottery market is still of importance to each operator, prime importance is market share based on trust for a respected brand.

YET MORE COERCION

There is also a complete lack of free choice over the allocation of funds for good causes. A prime example is the likelihood of Lottery funding for the Cardiff Opera House development, the building which proposes to finish off doing to Cardiff what the Luftwaffe started. Before considering

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FOR LIFE, LIBERTY AND PROPERTY

how noble (or poor) a judge the State and its allies are at funding architecture with which people wish to live, let us examine whether they should aim to fund *any such projects at all* with other people's money.

Stephen Dorrell, the amiable National Heritage Secretary, claimed at the recent Conservative Students conference that people know what the money they spend on the lottery goes towards. In effect he claimed that the people of Cardiff who purchase lottery tickets do so in full knowledge that they are helping to fund what Prince Charles might label a "monstrous carbuncle". By buying tickets they thereby display a willingness to erect the Opera House. (Just as they showed their willingness to enrich Winston Churchill MP, who recently received a large sum from the Lottery for his grandfather's archive.) Does Mr Dorrell have a point? Perhaps we should ask whether the Heritage Commission would divert spending away from Cardiff Bay if the Welsh stopped buying lottery tickets? Such a boycott, if publicised, might be effective but is unlikely. Camelot's monopoly status allows it to dangle an multi-million-pound carrot in the faces of objectors. It is not the desire for the Opera House which encourages the Welsh to buy tickets; it is the money!

The Government claims that the lottery funds are not distributed by them, but by an independent body. So we can't even vote them out. *No one has the opportunity to choose between lotteries* offering different 'good cause' money allocation policies, or to choose to support a super prize lottery which doesn't donate to *any* charities. It is this false and arbitrary restriction of choice which violates our liberties in the Hayekian sense. Thus one must object to the National Lottery.

YET MORE STATE FAILURE

The proclaimed purpose of the National Lottery is to raise money for 'worthy' causes: charities, heritage, the arts and sport. Whether or not Ministers have any moral right — and we say that they don't — to impose their notions of 'worthiness' on the general population we leave open for further debate. Let us instead consider the effectiveness of the State at meeting its objectives. The simplest test is to look out of the window and notice the municipal high rise flats, the Home Office building, the Department of Transport building, *et cetera*, all of which were constructed during the era of corporate statism. But perhaps you have the good fortune of a view of fine Georgian or Victorian terraces or of other such classical revival buildings. These are the sorts of building which the National Trust is trying to preserve through charitable subscriptions. Victorian architecture was created through *laissez-faire* economics, not State planning. The high rise flats and concrete government departments serve only to remind us that to save our heritage, we must restrict the State and unleash the market. The National Trust is a far more effective (and ethical) guardian than the coercive Department for National Heritage. The DfNH even says it has an open mind about the suggestions by English Heritage (another QUANGO!) to list Birmingham New Street Station signal box and the Centre Point building in London. It would be a pleasure to buy either of these buildings and demolish them — both really are awful — but the State wishes to prevent any demolition, even that undertaken by the owner of a legitimately obtained property. Tastes may change, and we would not object to someone demolishing a Georgian terrace, provided it is his own property.

Why do such such middle class 'causes' as opera require money to be coercively conned out of the less well off? It is because the government charges VAT on ticket sales. Abolish the VAT, together with the bureaucracy needed to administer the tax, then scrap the subsidies and the associated bureaucracy, and the result would surely be what the DfNH claims to seek: lower ticket prices. The added bonus would be a decrease in the size of the State.

Perhaps we have now discovered the ultimate *raison d'etre* of the National Lottery. It is an excuse for the existence of the DfNH. Denationalise the Lottery, and one removes the function and legitimacy of government intervention in the Arts. The Department for National Heritage would then be superfluous.

YET MORE EXCUSES

The propensity of Statists to continue bureaucratic empire-building is clear if one considers some of the calls to limit, by law, the level of prize money one may win. This is dangerous; the Lottery requires not more but less regulation. Competitive market conditions would ensure a scramble to satisfy the preferences of consumers in search of increased market share and rate of return. Regulation is doomed to failure because consumer tastes and preferences are not homogeneous but disparate; their satisfaction requires diversity of service. Competing lotteries should have the freedom to offer whatever prizes the market demands, and pledges to donate to charities if that is demanded.

Some analysts who agree that the market is better than a monopoly at satisfying consumers still consider that a single State-protected monopoly Lottery is desirable on the grounds of "economies of scale". The Lottery, they argue, is a "natural monopoly". But if the provision of a service could exist only as a monopoly, one would develop anyway. Legislation prohibiting competition is superfluous. In any case, the imposition of barriers to entry surely shows an acceptance that this is not the case.

True, an extensive network of terminals was needed to get the Lottery fully operational; to rebuild this would involve further costs. However, in a free market each lottery operator would not have its own exclusive terminal infrastructure. This would be hideously expensive and completely irrational. Because each lottery terminal would be capable of serving any number of different lotteries, the operators would soon realise the benefits of cross-renting their terminals to their competitors. Such a policy is followed in the free market by the high street banks, who, after initially constructing separate cash machine networks, realised the benefits obtainable from agreeing to common usage of each others' machines.

Regulation of the Lottery is wrong: wrong because it is coercive, wrong because it restricts choice, and wrong because it inflicts an inferior service on the nation. No convincing argument has been offered in support of the paternalistic regulation of the Lottery; no rational one exists. The market has not been found wanting; it has not been tried! In contrast the State *has* been tried, and *is* found wanting. It is depressing that despite the triumph of nineteenth century liberal economics, despite the economic miracles evident wherever libertarian policies were enacted during the 1980s, few have objected to the introduction of a new State-regulated, legally protected monopoly — and the dire consequences which were bound to follow went unpredicted.