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Lotteries and Gambling vs. Investing

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Lotteries and Gambling vs. Investing

Abstract

"Gambling and lotteries feed the human tendency to want to get rich quickly with minimal effort – perpetuating both unrealistic fantasies and counterproductive values and behaviors."

Posting about the stewardly use of money from *In All Things* - an online hub committed to the claim that the life, death, and resurrection of Jesus Christ has implications for the entire world.

<http://inallthings.org/lotteries-and-gambling-vs-investing/>

Keywords

In All Things, lotteries, gambling, investments, risk

Disciplines

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Comments

In All Things is a publication of the [Andreas Center for Reformed Scholarship and Service at Dordt College](#).

Lotteries and Gambling vs. Investing

▫ inallthings.org/lotteries-and-gambling-vs-investing/

John Visser

Unfortunately, 2016 has started out with many Americans running away from investments in stocks and many others waiting in long lines to buy a 1/292 million chance at a 1.6 billion dollar Powerball payout – which now looks to be split by three lucky winners or groups of winners. Perhaps, at least for the 291,999,997 losers, this is a good time to address the question of whether an investment in the stock market (or a commodities contract) is any different from buying lottery tickets or frequenting the casino.

From my perspective investing can be distinguished from gambling – which includes playing the lottery – in at least four primary ways. First, an investment involves taking an economically necessary risk. For example, when a farmer has a crop in the field, someone must bear the risk of a potential decline in the price for that crop. The farmer may bear it himself, or he may decide to pass all or part of the risk on through the use of a futures contract or option. Likewise, when a pharmaceutical company attempts to market a new drug, a certain amount of unavoidable risk is involved. In this case, individuals and organizations that buy shares of the company's stock will share the risk that the company's extensive research and development expenses may not pay off. In both of these cases the risk is unavoidable. The same is not true with gambling. Risks associated with gambling are created jointly by the gambler and the casino or lottery commission, and as such, are artificial and unnecessary.

Second, an investment involves providing money to a person or organization that will perform a necessary economic function with it. Stock purchases by individuals enable companies to build plants, purchase equipment, create useful products, and provide jobs. And, when people trade stocks in the secondary market, they are simply substituting one investor for another, making it possible for the original investor to get his money back when the company is not in a position to do this. This kind of liquidity is essential to the smooth functioning of markets. Gambling, on the other hand, isn't putting money to work. Rather, it involves transferring it to someone who, more often than not, is unlikely to do economically necessary or socially uplifting things with it. And although lotteries claim educational support for marketing purposes, there is little evidence that they increase educational funding and quality in the states that rely on them for revenues.

Third, an investment involves putting one's money to work to receive a reasonable return for the amount of risk taken. Good investments create wealth without any losers. In fact, in addition to creating wealth for investors, they often also create wealth for others, such as the employees or customers of the companies they fund, or for the government collecting taxes related to these activities. Gambling and lotteries, on the other hand, always involve a great degree of risk and usually promise at best a return that is zero, such as in a poker game with friends. Also, the return is usually highly negative, when, as with lotteries or casinos, there is a significant overhead and a government or "house" take. In addition, they often involve social costs in the form of the need to treat gambling addictions, stress on families, and bankruptcies, rather than benefits.

Finally, investments provide incentives for people who work hard and patiently to provide goods and services that are difficult to design, build, or provide, whereas gambling and lotteries feed the human tendency to want to get rich quickly with minimal effort – perpetuating both unrealistic fantasies and counterproductive values and behaviors.

Thus, investing can be distinguished quite easily from gambling, and most of the conventional investments

that we might be considering, such as stocks, bonds, or commodities contracts have at least some (or perhaps all) of the characteristics of good investments. Or, they at least have the potential to be good investments, but only if we enter into them after having thoroughly researched the underlying activities being funded, their risk, and potential return.

Note, however, what we have not said about a good investment. We have said that a good investment willingly accepts unavoidable risk, spurs economically productive activity, provides a good return for the risk taken, and promotes socially useful values and behaviors. We have not said that in order for an investment to be good, its returns must accrue back to the original investor. In other words, investments that provide returns to groups of people, society as a whole, or individuals other than the original investor could nevertheless be excellent investments. In fact, one could argue that some of the best possible investments fall into this category. Examples of these types of investments include providing productive assistance to emerging-market farmers, sponsoring a child through an organization like Compassion International, aiding a hard-working young adult so he can complete his education, or adopting children. Fortunately, these kinds of excellent investments are promoted by biblical directives that state that we should love our neighbors as ourselves, show concern for the downtrodden, or build others up. Investing is also encouraged by biblical illustrations – such as the parable of the talents, which makes it clear that everything we have has been entrusted to us by the Lord, and he expects us to put it to work wisely – and reminders like Luke 12:48 that state, “from everyone who has been given much, much more will be asked.”

Hopefully this iAt article will also turn out to be an investment – it may convince a few folks to redirect some of the money that might have been earmarked for the lottery or casino to instead invest in stocks, bonds, or human-capacity-building, not-for-profit organizations. There are always many good investments to choose from, even when the prices of stocks, bonds, and commodities are all going down.