1948

Lotteries

Stanley S. Smith

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Lotteries are an age-old form of gambling which appeal to the masses because of the opportunity, although often very slight, of winning large prizes with but a small investment. In recent years lotteries have been taken up by the criminal element as an easy means of fleecing the public. Combatting syndicated gambling is today a major policing problem throughout the country. Lieutenant Stanley S. Smith of the Pennsylvania State Police describes the various lottery rackets now in operation. As Examiner of Questioned Documents at the State Police Laboratory, a position which he has held since its establishment, Lieutenant Smith has had the opportunity of participating in the investigation of gambling rackets through his work in the technical identification aspects of these cases.—EDITOR.

Historical Background

Lotteries, or the determining of prizes by lot, were used in the festivals and entertainments of Roman emperors before the Christian Era. The garments of Christ were disposed of by the soldiers who had Him in custody; in the words of Matthew (27:35): "And they crucified Him and parted His garments, casting lots . . ."

In the more modern sense lotteries are supposed to have originated in Italy during the Middle Ages. In the Italian republics of the 16th century the lottery principal was applied by merchants to encourage the sale of stale and long standing merchandise. The idea spread rapidly through Italy after a permissive interpretations of the Church Laws, and they were common by 1500. In Holland commodity lotteries were established in the various cities in the 13th century.

The first money lottery was probably established in Florence, Italy, in 1530 for the benefit of the state. It soon spread to France, Spain, Germany, and Austria. Rulers seized upon it as a revenue measure and established a monopoly. They were widely popular in Europe by the 18th century.

In England Queen Elizabeth introduced lottery in 1569. Shakespeare takes cognizance of its presence in "The Merchant of Venice" when Nerissa, Portia's maid says to her: "The lotterie that hee hath deuised in these three chests of gold, silver, and lead . . ."[1]

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* Lottery. Italian: lotteria, from lotto, share lot. A scheme for distribution of prizes or money by lot or chance; especially, a scheme by which one or more prizes are distributed by chance among persons who have paid or promised a consideration for a chance to win them, usually as determined by the numbers on tickets drawn from a lottery wheel or by some other manner.—WEBSTER'S INTERNATIONAL DICTIONARY.

1 Act I, Scene 2.

Lotteries were introduced to America when the Virginia Company used them to finance its colonizing expedition to the New World in 1612. By the early part of the 1800's they were widespread. From early Colonial times this importation from the Old World had been used for every conceivable purpose—schools, colleges, churches, bridges, docks, canals, turn-pikes, poor-relief, and even government building. In fact, it was a substitute form of taxation probably conditioned by the opposition to the British taxation policy.

The Continental Congress in 1776 authorized a class lottery for the benefit of the suffering soldiers in the field. General Washington bought the first ticket. He, likewise, signed the first ticket issued by the Congress for its revenue raising $5,000,000.00 lottery. In 1789 the new nation had no quarters and to pay for the deficit cost of remodeling the New York City Hall for the meeting of the First Continental Congress, the New York State Legislature authorized a lottery to obtain the needed 15,000 pounds. Jefferson in order to recoup his fortunes sold some of his land by lottery.

Harvard College and others, in fact most educational institutions, financed themselves in that manner. Harvard realized about $15,000 annually in this way. For example, in a newspaper advertisement dated Boston, July 14, 1794, the college offered 25,000 tickets at $5.00, with $125,000.00 in prizes, less 12½ per cent, or $15,625.00 for its own benefit. It is interesting to compare the buyer's chances for "hits" in this early lottery with the set-up as used by our modern racketeers, which will be explained later. This drawing took place on Thursday, November 13, 1794, and listed the prizes as shown in Table I.

Table I.

No. of Prizes		Dollars		Dollars
1	of	$ 10,000.00	is	$ 10,000.00
2		5,000.00		10,000.00
3		2,000.00		6,000.00
6		1,000.00		6,000.00
10		500.00		5,000.00
20		200.00		4,000.00
60		100.00		6,000.00
90		50.00		4,500.00
100		40.00		4,000.00
120		30.00		3,600.00
161		20.00		3,220.00
200		10.00		2,000.00
7,585		8.00		60,680.00
8,358 prizes				$125,000.00

16,642 blanks
8,358 prizes

25,000 tickets

Thus, a buyer in this lottery had a one in three chance of winning a prize as opposed to what the modern lotteries offer.

Of instant interest is this rather curious notice which appeared in the "Salem Gazette" (Mass.) in 1811:

"WRITING"
Taught in One Lesson!!

Persons of any age, sex or capacity, let their Chirography be ever so bad, may by one exercise make a VERY GOOD HAND of it. The means are found in the Scheme of Harvard College Lottery, which contains a most superb assortment of capital prizes. Persons desirous of securing the advantage of this dispatchful tuition will apply (wholes, $5 quarters $1.38) to Cushing & Appleton, at their Lottery Office and Bookstore, one door west of Central Building."

By the early part of the 19th century lotteries were widespread. People of every class gambled. They bet on the horse races, wagered on card games, and "backed" their favorites in a cockfight. But the most common form of gambling was the lottery.

Practically all newspapers carried lottery advertisements. Frequently farmers, tradesmen, merchants, and sundry citizens neglected their businesses and professions in the hope of rapidly acquiring a quick and easy fortune. So serious did the situation become that several of the northern states took steps to curtail the lottery system. However, not until about 1840 did a widespread campaign against lottery prove fruitful.

In a report dated December 12, 1831, at Philadelphia, a Citizens Committee headed by B. W. Richard stated: "Lotteries were responsible for . . . an appalling picture of vice and crime, and misery, in every varied form. . . . Husbands and fathers of families, respected through a long well-sustained course of years, have been seduced from their integrity, and brought to end their days the tenants of prison. Others, holding important trusts, (their) own resources swept away . . . have been detected and disgraced . . ."

Meanwhile, in Pennsylvania the Provincial Assembly of 1762 prohibited lotteries and denounced them as a public and common nuisance. In the Preamble they held that the lotteries: ". . . but prove introductive to vice, idleness, and immorality; injurious to trade, commerce, and industry; and against the common good, welfare and peace of the province." However, lotteries licensed by the Acts of Parliament of Great Britain were excluded. (We might be warranted in assuming that perhaps a little "pressure" was brought to bear by His Majesty's representative.) Despite this attitude, in 1833 lotteries set up in seven other states were being sold freely in Pennsylvania illicitly.

Lotteries were still common and legal in the United States until 1870. But the 1800's which saw the largest of the legal

lotteries, saw also the last,—the Louisiana State Lottery. In its prime it did an annual business of $28,000,000.00, though the state benefited about $40,000.00. It eventually became involved in graft and corruption and was closed about the time Congress passed a law abolishing such enterprises in 1894. The Act prohibited advertisement of lotteries and traffic in lottery tickets.

With the Depression Years, (1929-1940) interest in lotteries was re-awakened carrying in its wake the "Chain-Letter" craze of the 1930's and the other variations of the "numbers rackets".

Operation of Modern Lotteries

Systems. The courts have defined "lotteries" as any scheme for the distribution of prizes by lot. However, to constitute the crime the scheme must contain the three elements: (1) The prize (money or valuables), (2) selection of the winner by chance, and (3) the consideration (money paid for participating in it).

Among the systems in common occurrence are those known as the "Numbers Game", the "Policy Game", "Bank Night", "Baseball Pool", "Treasury Card", and a number of others based on similar principles. The basic "Numbers" play had its origin early in the 1600's when under the name "Lotto" it originated in Genoa, Italy. Here, five senatorial candidates were selected by lot from among the listed aspirants. There began the custom of betting on the names of the five likely to be selected. From this developed the "Lotto" by substituting the numbers 1 to 90 in place of names and so it still is one of the standard systems.

Numbers and Policy. In "Numbers" and/or "Policy" the terms "Salesman" and "Writer" applies to the person accepting the wager and who writes "Slips", one of which he gives to the player and the other (a carbon copy) he retains to turn in as a check on the "hits" or "Wins" for "payoff". The "Banker" is the person or group financing the system. "Numbers" is usually a concentrated local activity and has a daily play with the exception of Sunday and perhaps Saturday. The usual "payoff" is 500 to 1 on a play of the numbers 1-999. The principal danger to the "Banker", financially, is if too many play the one number that turns out to be the winner. Some operators "insure" themselves against this by "laying-off" through a gambling syndicate and paying a high premium, or by some arrangement that has a similar effect. This is commonly done by those handling large racing bets.

There are various ways in which a winning number is selected in the "numbers" and "policy" play. In "wide-open" towns

where police interference is unlikely or where charity or benevolent purposes are tolerated the winning number may be selected by the spinning of a numbered "lottery wheel" one or more times, by throwing dice, or by selection of numbered tickets from a mixed group. The commoner practices are to select the last three figures of the U. S. Treasury's daily balance, (excluding the cents) the total stock market sales, the bank Clearing House daily statement,—or, for that matter, any figures that are unpredictable in advance but are put forth regularly are used. In "Numbers" players are permitted to play from 1 cent up to whatever the "Bankers" are willing to take.

Pari-Mutuels. Another common practice is to use the figures shown on the pari-mutuel machines at a given Race Track. The pari-mutuels are automatic calculating machines which at the race-tracks record every bet placed at the pari-mutuel windows and determines the odds in accordance with the relative popularity of the different entries of the bettors. For example, the pari-mutuel will publicly record the "Handle" or the amount of bets placed. This enables the lottery operators to inject an exciting element into the three-number play by compiling the "Win" number from the last dollar figure in the total shown after the first race. This gives them the first digit of the desired three. At "numbers" headquarters they rapidly cull the tickets and throw out every "slip" not having the first correct number; the same occurs at the end of the second race, and by the time the third race is over and the last or third number known, only a small number of tickets are left to determine the pay-offs due. (The pari-mutuels also provide the money-odds determined for each horse and so provide another means of supplying "win" numbers, which is further explained under the heading: "Horse-Race Win Numbers".)

Bank Night. This principally refers to theatres where prizes, usually money, are offered to stimulate attendance at "movies". If the scheme is one that registers all attenders and the winner is not present, the "pot" becomes cumulative.

Baseball Pool. This, likewise, is a variant of the Numbers Game, and the winning numbers are selected from the box scores of winning or certain designated teams. This will also apply to football and other games and events attracting public attention. In what might be called the "standard" lottery play of five numbers, which will be covered in greater detail later, the winning numbers in a Baseball Pool may be selected by taking the last digit from each of the following scores: 1. Runs, 2. Hits, 3. Left on Base, 4. Times at Bat, and 5. Assists. For the three-number play, of course, only three scores would be used.

The Three-Number Play. The organization of the three-number "Numbers" and "Policy" games with the designated variants is comparatively simple and is usually concentrated locally. The equipment and facilities are few and uninvolved, principally, books of slips, adding machines, and telephones in a suitable building or rooms. The personnel consists of the "Salesmen" or "Writers", the "Pickup" men, and the "Bankers" with their operating assistants.

The "Salesmen" or "Writers" may be persons working full time for the "racket", or, who "write" in conjunction with their regular employment as, bell-hops, elevator operators, workmen in factories, delivery men, barbers, saloon-keepers, etc. Their "cut" is usually 10% of the amount of money they collect which they retain when settling with the "Pick-up" man. The "Writer" also gets 10% of the amount won by each of his customer's "hits" which he likewise retains when settling with his lucky customer.

The "Pick-up" men are those who receive the amounts bet less "writer's cut" and pick-up the "Writer's" sold book of slips which are numbered serially and deliver them to headquarters usually about a half-hour before the discovery of the winning number, depending upon the system in use.

The "Bankers" are the persons who finance and operate the "racket" and employ the necessary assistants, to check, weed-out, and tabulate the required operations.

In playing a number a customer will wager from one-cent upwards on the win of any three digit number. If his number wins the standard "payoff" is 500 to 1, thus he gets $5.00 for a 1¢ bet, $50.00 for 10¢, $125.00 for 25¢, $250.00 for 50¢, less 10% for the "writer". Where there is one or more competitive "Numbers" systems in operation in the same locality, the payoffs may be 600 and 700 to 1.

Aside from playing a single three-number combination straight or "on the nose", a player may "Box" his play in variations of the two following methods: In a straight "Box" a player may select his base number to be 234, since these three numbers. can appear in six combinations he pays or bets 6 times his base bet, as 25¢ for his base selection and an addition quarter for the other possible combinations which can be, 234, 243, 342, 324, 423, or 432, or a total of $1.50 for the "Box". Another way of "Boxing" a play results when a player desires to play a certain sum that might not be evenly divisible, as for example, he may want to play 75¢, in which case 25¢ is played for a win "on the nose" on the number 234, and 10¢ on each of the other five combinations.

The Five-Digit Lotteries—Treasury Card. In contra-distinction to the simple set-up required to operate the ordinary three-digit "Numbers" lay-out, the "big-time" five-number lottery operated on a large scale, is considerably more complicated in organization and structure. The standard method for selecting the "Win" number is from the federal report of daily U. S. Treasury balances. Other sources for "win" numbers are bank Clearing House figures and the total stock market sales (Big Board). These enable a steady five day a week play for the year. "Specials" are run frequently for an amount other than the standard 50¢ and 25¢ ticket;—for 35¢ and $1.00. However, there are systems which regularly run a 35¢ ticket play. The "Specials" are usually set-up for the legal holidays, World Series games, Football, and feature races like the Kentucky Derby, etc.

Treasury Card Win Numbers. Where the Treasury numbers are played the operators have either a man posted in Washington who telegraphs each day's release from the U. S. Treasury, or they may subscribe to the C. N. S. (Commercial News Service) operated by the Western Union which supplies items of news to banks and commercial houses and includes the daily Treasury balances. Newspapers, likewise, subscribe to this service, and many of them print the daily financial statement of the federal treasury which, likewise, includes the balance. This enables all numbers players to check up on their possible wins. To circumvent the lottery racketeers, the Treasury currently is withholding its daily release from 2 to 5 days depending upon the occurrence of a holiday at a week-end. Friday's balance reaches the Tuesday morning papers. The racketeers, however, were not stopped by this for in a recent case in central Pennsylvania it was found that they used whatever balance was given on the day of release. For example, if Monday's balance was released on Wednesday, that became Wednesday's winning number; Thursday's became Monday's and Friday's was used Tuesday. In the Treasury Balance only the dollars are used (the last five places); the cents are ignored. To illustrate: On Monday, March 24, 1947, the U. S. Treasury released the balance for Thursday, March 20, 1947, the amount: $5,892,886,928.75. The lottery win-number for that day, Monday, March 24th, was 86928.

Just recently, on Wednesday, July 30, 1947, a rather bold attempt was made by a numbers-racket player to "fix" a U. S. Treasury Balance in an effort to win a high top prize. He used the name "Charles Merrill" and called up the big news agencies: AP (Associated Press), the UP (United Press), and INS (International News Service) saying that he was with the Treasury

Public Relations Service and wanted to correct an error in the given Treasury Balance which should be: $3,032,722,185.59 instead of $3,032,794,863.59, thus, he was attempting to create the "Win" number "22185" for the true "Win" number, "94863". Two of the news services "fell" for the ruse and printed the "corrected" number, the other agency checked with Washington and discovered the trick.

The use of Stock Market total sales and Bank Clearing House figures are similarly employed and need no further explanation. .

Horse-Race Win Numbers. When lottery "specials" are run based on certain horse races the win number is selected as hereinafter described as used by the Penn Limited Lottery for the Kentucky Derby, May 3, 1947. Again, the pari-mutuel automatic totalizing recording machine figures are used. Instead, however, of the "Handle" (total amount bet) for either a race or for the day's business being used, the win numbers are now derived from the last betting odds established for the first and second horse in five positions. To further explain, bets can be placed on any horse to win, "straight" (cross the finish-line first), "Place" (cross the finish-line second) or "Show" (cross the finish-line third). The pari-mutuels machine will fix an unpredictable odds, based on the amount of money bet on each horse as related to the total sum bet at the track, which will be the official rate at which a bet will pay off. The standard minimum bet being for a $2.00 ticket. In the last Kentucky Derby, Jet Pilot won, Phalanx was second, and Faultless third. The pari-mutuel established the following pay-offs from the determined odds.

	1st STRAIGHT	2nd PLACE	3rd SHOW
Jet Pilot (1st)	12.80	5.20	4.00
	(1)	(7)	(4)
Phalanx (2nd)		4.00	3.00
		(4)	(3)
Faultless (3rd)			4.60

The winning lottery number would be "17443" and is obtained in this manner: only the first five places, three on the winning horse and two on the "Place" horse are used. The "pay" is added by digits. To get the first "win" number add (12.80): $1 + 2 + 8 + 0 = 11$, take last digit which is 1; for the second number (5.20) add: $5 + 2 + 0 = 7$, and so on. (The $4.60 on Faultless, which is the 6th and unnecessary number, is not used.)

In "numbers" play, in addition to the "Handle" figures previously described, the "pay" on each of the winning horses in three successive races at the same time may be used to estab-

lish the three-number win. To illustrate how the lottery pays wins, the Table II gives the prizes listed for the "Kentucky Derby Special" offered by one lottery.

<div align="center">*Table II*</div>

Main Prize, for the five numbers, as:	17443	$5,000.00
1 number above, as:	17444	1,500.00
1 number below, as:	17742	1,500.00
2 numbers above, as:	17445	1,000.00
2 numbers below, as:	17441	1,000.00
3 numbers above, as:	17446	500.00
3 numbers below, as:	17440	500.00
1st four numbers, as:	17441	100.00
last four numbers, as:	17443	100.00
1st two—last two numbers, as:	17143	20.00
1st one—last three numbers, as:	11443	15.00
1st three—last one, as:	17413	15.00
1st three, as:	17411	10.00
Last three, as:	11443	10.00
Middle three, as:	17441	10.00
1st two, as:	17111	1.00
Last two, as:	11143	1.00
Mixed numbers, as: 41473, 43174, 71344,	44317, etc.	5.00
Five numbers reversed, as:	34471	200.00
Cost of ticket: 50c.		

Significance of Five-Number Play

The five-number lottery ticket operation means that 100,000 tickets constituting a "set" has been printed for a "big-time" set-up which expects to—or usually sells most of them. The tickets can be numbered 00000 to 99999 and are good for one lottery week starting with Monday and ending Friday for a five day play. The one ticket can win with the proper number combination on any of the five days. However, on the standard 50¢ ticket, as operated by the same outfit which put up prizes for "The Kentucky Derby Special", the Penn Limited shown in Table II, the prizes are less than that offered for the "Special" as follows for the same nearly identical tabular order: $1100.00 top-prize for four days, Monday to Thursday, and $3000.00 for Fridays, then uniformly: $100, 100, 60, 60, 35, 35, 25, 25, 15, 15, 10, 10, 10, 4, 4, 5, 5, 2, 1, 1, 2, and $50.00. These pay-offs are based on the U. S. Treasury daily balances.

An outfit that cannot dispose of most of the 100,000 tickets at 50¢ may and does split the "set" to make two, for 25¢ and 50¢ tickets. The 25¢ ticket will, of course, pay lesser prizes. Penn Limited, for example, operates a 50¢ and 25¢ ticket lottery. The Criss-Cross is a 35¢ ticket. The latter (Criss-Cross) pays an additional money premium for numbers running diagonally four ways when the Monday to Friday winning numbers are placed one under the other in a column of five. Since, however, the same serial sequence of numbers are still used, (in the split "set") in any combination occurring within the 100,000 set

there can be only five out of 100,000 chances to win the top-line prize, one for each of five days. The "Criss-Cross" 35¢ ticket claims to pay 11 wins to each one hundred tickets, most being for about one dollar and under.

The Lottery Week

In order to understand notations that might be confiscated, it should be known what certain symbols may mean. A Delivery Slip of lottery tickets may contain the following: "#33", "Blocks", "½", "¼", "XX", and a column or sequence of three digit numbers like: 495, 321, 176, 350, 062, 791, 854, 376, 912, 107. This will mean that some one is delivering ten "Blocks" of 100 tickets each, or a total of 1,000 tickets, for sale for the 33rd Lottery Week, or August 11-15, 1947. "½" means a group of 50¢ tickets, "¼" means a group of 25¢ tickets, while "XX" means the "Criss-Cross" 35¢ tickets. PL may stand for Penn Limited and POA for the Pool-Owners Association lottery, etc. The Lottery Week does not coincide exactly with the calendar week starting with January 1st of each year. It starts with the week which contains the first Friday of the year so that Lottery Weeks for 1947 are numbered as in Table III (remembering that the week starts with Monday and ends with Friday).

Table III

1947 LOTTERY·WEEKS

Week No.	Calendar Dates			Week No.	Calendar Dates		
1	12-30-46	to	1- 3-47	27	6-30-47	to	7- 4-47
2	1- 6-47		1-10-47	28	7- 7-47		7-11-47
3	1-13-47		1-17-47	29	7-14-47		7-18-47
4	1-20-47		1-24-47	30	7-21-47		7-25-47
5	1-27-47		1-31-47	31	7-29-47		8- 1-47
6	2- 3-47		2- 7-47	32	8- 4-47		8- 8-47
7	2-10-47		2-14-47	33	8-11-47		8-15-47
8	2-17-47		2-21-47	34	8-18-47		8-22-47
9	2-24-47		2-28-47	35	8-25-47		8-29-47
10	3- 3-47		3- 7-47	36	9- 1-47		9- 5-47
11	3-10-47		3-14-47	37	9- 8-47		9-12-47
12	3-17-47		3-21-47	38	9-15-47		9-19-47
13	3-24-47		3-28-47	39	9-22-47		9-26-47
14	3-31-47		4- 4-47	40	9-29-47		10- 3-47
15	4- 7-47		4-11-47	41	10- 6-47		10-10-47
16	4-14-47		4-18-47	42	10-13-47		10-17-47
17	4-21-47		4-25-47	43	10-20-47		10-24-47
18	4-28-47		5- 2-47	44	10-27-47		10-31-47
19	5- 5-47		5- 9-47	45	11- 3-47		11- 7-47
20	5-12-47		5-16-47	46	11-10-47		11-14-47
21	5-19-47		5-23-47	47	11-17-47		11-21-47
22	5-26-47		5-30-47	48	11-24-47		11-28-47
23	6- 2-47		6- 6-47	49	12- 1-47		12- 5-47
24	6- 9-47		6-13-47	50	12- 8-47		12-12-47
25	6-16-47		6-20-47	51	12-15-47		12-19-47
26	6-23-47		6-27-47	52	12-22-47		12-26-47

To be Concluded in the March-April Issue.