

Supplemental Notes to Lecture 16: “Lotteryville, USA”



We concluded Lecture 16 by posing five interrelated questions: first, do programs like Tennessee Promise and Tennessee Reconnect provide a positive social good? Most would certainly answer that question in the affirmative. The next four questions are unlikely to produce such a consensus, however. They are:

- should we also regard as a positive social good the instrument (the lottery) that is used to fund these educational programs?
- If not, are there better ways to sustain them?
- If so, what are they?
- How feasible would it then be to implement them?

These questions reiterate the significance of a statement from Kim Phillips-Fein that was quoted in Lecture 16: “Since every state gets its revenue from somewhere, what matters is which part of society is expected to foot the bill, a question not of bookkeeping but politics.”¹

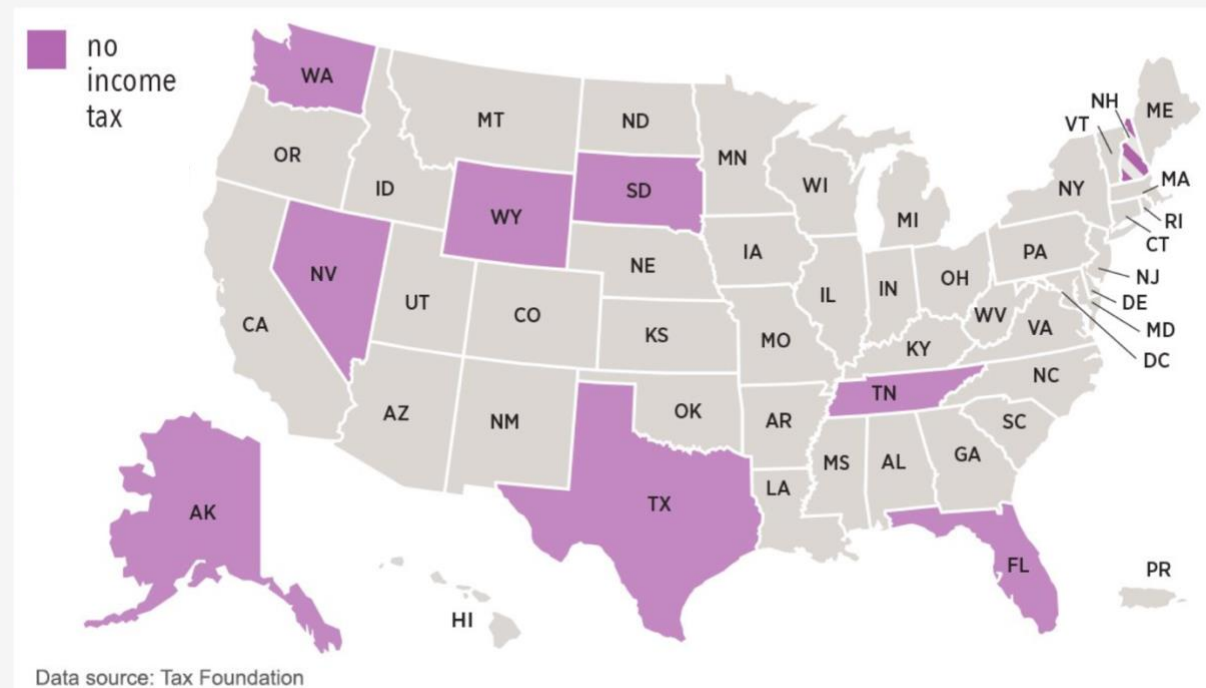
As we’ve seen, individuals falling within the lowest income brackets form the “part of society” that contributes the most to Tennessee Promise and Tennessee Reconnect. For historians like [Phillips-Fein](#), such a situation is intolerable: “The only thing cities have plenty of these days is

¹ In the debate leading up to a referendum on establishing the lottery in 2001, Democratic North Carolina Governor Michael Easley declared voters were faced with an either/or: “It’s either going to have to be lottery, a lottery for education, or it’s going to have to be a tax.”

poor people. And the lottery is a way of exploiting that human resource, the one taxable group in a state that won't move out and whose numbers are growing.”

As Phillips-Fein sees it, using state lotteries fund to educational programs like Tennessee Promise constitutes an unconscionable social ill. Those sharing that view would not have to look far for alternative sources of funding in Tennessee, since the state is one of nine in the country² that has no income tax.

States Without an Income Tax



An equitable progressive income tax (i.e., one that is not riddled with loopholes) requires citizens to contribute a certain amount to public resources (like education) that is based upon their annual earnings. This formula would not only sustain Tennessee Promise but expand the program, leading to a much-needed increase in funding for education. But would legislation that introduced an income tax to Tennessee—no matter how “progressive”—stand a chance of passing? Not according to a [recent report](#) published in the conservative nonprofit think tank, the Beacon Center For Tennessee, which points to the fact that the map shown above may soon have a lot more purple in it:

² The purple and white stripes marking New Hampshire on this map indicate that the state taxes interest and dividends, though legislation was recently passed that will begin phasing out those sources of state revenue by 2024.

Lawmakers in West Virginia, Mississippi, Arizona, and North Dakota have introduced legislation this year to become no-income-tax states like Tennessee. In North Carolina, where lawmakers have chopped down the state income tax by nearly a third over the past decade, lawmakers recently introduced a bill to further chip away at their income tax, taking it from 5.25% to 4.99%, with the ultimate goal being to phase the tax out completely once they have a governor who shares that goal. More and more state policymakers across the country want to vote on bills to phase out state income taxes, in part, because they've seen how Americans have been voting with their feet in favor of states like Tennessee that do not tax income. According to [IRS migration data](#), more than 3.1 million Americans on net moved into no-income-tax states between 2011 and 2018, taking more than \$235 billion in annual income with them.

Across the country, these “state policymakers” are responding to and amplifying a pervasive attitude: namely, that raising graduated income taxes (or introducing them, in those state where they currently do not exist) amounts to a form of governmental coercion, so unfathomable is the notion that citizens should be willing to give a little (in proportion to how much they earn) so more can benefit from social programs.

This state of affairs has induced a sense of nostalgia in political theorists like [Michel Sandel](#), who mourns the loss of an era in which individuals allegedly considered it their civic duty to make contributions to the general welfare even if it did not promote their immediate, narrowly defined, and materialistic self-interest.

Given his ideological outlook, it is not surprising that Sandel has denounced the culture surrounding state lotteries.



According to Sandel, “political corruption comes in two forms. Most familiar is the hand-in-the-till variety: bribes, payoffs, influence-peddling, lobbyists lining the pockets of public officials in exchange for access and favors. This corruption thrives in secrecy and is usually condemned when exposed. But another kind of corruption arises, by degree, in full public view. It involves no theft or fraud, but rather a change in the habits of citizens, a turning away from public responsibilities. This second, civic corruption, is more insidious than the first. It violates no law but enervates the spirit on which good laws depend. And by the time it becomes apparent, the new habits may be too pervasive to reverse.”

Having issued this chilling warning of how civic corruption takes hold of a population and gradually creates a new type of person that would horrify the public-spirited Jeffersonian or Antifederalist, Sandel gives his readers an example of how such corruption manifests itself: “Consider [in this context] the most fateful change in public finance since the income tax: the rampant proliferation of state lotteries.”

Though Sandel is regarded as a liberal, his discussion of the lottery echoes the arguments of Arthur Brooks that were referred to in Lecture 16. That is, Sandel argues that by promoting the lottery, “states continue to bombard their citizens, especially the most vulnerable ones, with a message at odds with the ethic of work, sacrifice and moral responsibility that sustains democratic life. This civic corruption is the gravest harm that lotteries bring. It degrades the public realm by casting the government as the purveyor of a perverse civic education. To keep the money flowing, state governments across America must now use their authority and influence not to cultivate civic virtue but to peddle false hope. They must persuade their citizens that with a little luck they can escape the world of work to which only misfortune consigns them.”

Like Brooks, Sandel suggests those who play the lottery have succumbed to a vice—in no small part because they have been manipulated by the state. But what has made state elective officials turn to the lotteries in the first place is their accurate perception that they lack the political legitimacy to ask for any kind of sacrifice—no matter how equitable—from its citizenry; put another way, *the state’s political legitimacy is so precarious it would be lost if it required citizens to pay a progressive income tax to help promote the general welfare.*

Note also that Sandel decries the states’ refusal to “cultivate civic virtue,” a core principle underlying Antifederalist thought and Sandel’s [Communitarian](#) (not to be confused with Communist) political philosophy. Of course, for a state government to “cultivate civic virtue,” it must first of all believe in and practice it, which raises the question of what “civic virtue” means (e.g., whether it should be defined primarily in socio-economic or cultural terms).³

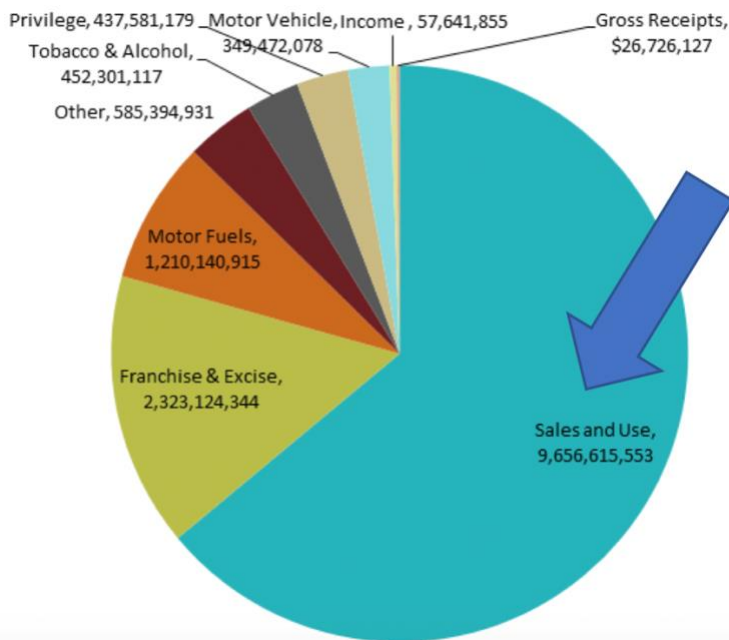
³ Understanding “civic virtue” in socio-economic terms could mean introducing a progressive income tax into the state, so that Tennesseans could make sacrifices in proportion to their living standards, with the understanding that the revenue collected would fund educational or health care programs. Understanding civic virtue primarily in cultural terms could mean something else entirely: for instance, last year Governor Lee signed into law a [“transgender sports bill”](#) that declares “a student’s gender for purposes of participation in a public middle school or high school interscholastic athletic activity or event [must] be determined by the student’s sex at the time of the student’s birth, as indicated on the student’s original birth certificate.” Governor Lee stated he signed the bill “to preserve women’s athletics and ensure fair competition.”

What could the cultivation of civic virtue *potentially* look like? Let's turn once more to Phillips-Fein, who asks us to “imagine a kind of union of cities, a political unit which refused to compete for corporate relocation, instead working as a group to lay down terms for business—adequate wages for workers, laws mandating that a company remain in a given location for a specified number of years, consideration for the urban environment—rather than allowing business to lay down terms for them. The ideology of the lottery is the ideology of competition, in which each [person] . . . is for himself and only one wins. Yet the only way cities can hope to win in the future is through solidarity.”

Another way that cities or states could act in concert and “lay down terms for businesses” would be to pass nearly identical corporate tax laws. But today there is no such uniformity, and the tax rates are often low, which deprives state and local governments of significant sources of revenue.⁴

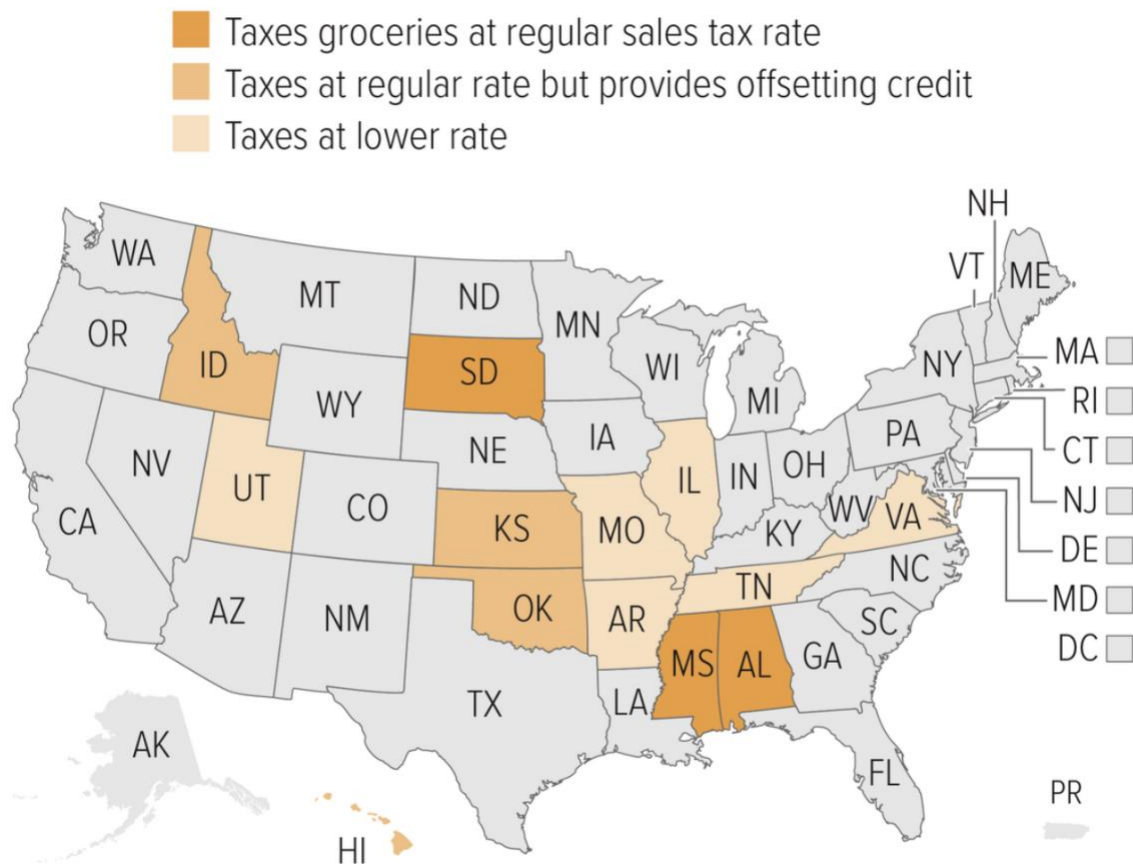
But how then is most revenue raised in Tennessee?

As we can see in the following chart, most of the state's revenue comes from sales taxes, which are also, it should be noted, regressive rather than progressive (i.e., they take a larger percentage of income from low-income taxpayers than from high-income taxpayers):



In acknowledgment of the regressive nature of the sales tax, Tennessee did recently lower the rate at which food is taxed from 5 percent to 4 percent. (In the map appearing below, states that are shaded grey exempt most food purchased for consumption at home from the state sales tax; as difficult as it may be to imagine, five states do not have a sales tax at all: Alaska, Delaware, Oregon, Montana, and New Hampshire.)

⁴ The franchise and excise tax levied on businesses each generate less than lottery sales in Tennessee, though they provide the state with more funding, since only 25 percent of lottery proceeds go to education—a statistic cited by those who fault the lottery for its inefficiency.



ADDENDA

- Though no state had a lottery in the first five and a half decades of the twentieth century, they have a long history in the US, dating back to the colonial, pre-revolutionary era. In fact, from 1790 to 1860, 24 of the 33 states used them to finance jails, courthouses, hospitals, orphanages, libraries, schools, colleges, and churches. However, along with their proliferation came instances of corruption, as private firms were entrusted with the daily operation of the lottery. As a result, by 1894, there were no longer any states in the country that sponsored a lottery.
- In a [report](#) published in 1999 by the National Gambling Impact Study Commission, researchers at the University of North Texas summarized a central argument made by opponents of state lotteries: it is “allege[d] that lottery advertising is targeted to appeal to the irrational elements in the public's imagination, seeking to persuade potential players that they can influence their odds through the choices of numbers they pick and also that it attempts to convince the individual player that his chance of winning is far greater than the odds would suggest . . . [L]ottery play depends on encouraging people's ‘magical thinking,’ which advertising must target.” The authors then cite an official with the New Jersey lottery who acknowledges the purpose of advertising is to “tak[e] an infrequent user and [try] to convert him into a more frequent user.”

If lottery commercials make false claims, the producers of them are not legally liable for any sort of violation, since, as a state entity, the lottery is not covered by the Federal Trade Commission's truth-in-advertising standards. Looked at from a broader and more critical perspective, however, all advertising is deceptive and attempts to promote "magical thinking" on the part of consumers. In [*Ways of Seeing*](#), a seminal work of cultural criticism published in the early 70s, John Berger described the underlying message advertisements deliver to consumers as follows: "the spectator-buyer is meant to envy themselves as they will become if they buy the product. They are meant to imagine themselves transformed by the product into an object of envy for others, an envy which will then justify them loving themselves." Without explicitly saying so, commercials tell us that if we buy a certain car, a personal care product, or an article of clothing, we will, like magic, transform ourselves into ideal versions of ourselves whom all will admire. In this sense, lottery commercials differ from others only as a matter of degree rather than of kind.

Some of those critical of lottery advertising have argued that, if states must have lotteries, then they should at least refrain from actively encouraging their residents to purchase tickets (an odd recommendation, since of course they were instituted in order to raise as much revenue as possible). In their book, *Selling Hope: State Lotteries in America*, Charles Clotfelter and Philip Cook discuss a proposal for instituting a so-called Sumptuary Lottery, which would somehow "accommodate demand while discouraging players from spending more than they can afford." The state legislature in Missouri in fact attempted to do just that, limiting official communications about the lottery to neutral descriptions of how they operate and what the odds were of winning prizes. After enacting this policy change, the state saw lottery sales fall precipitously. As a result, the experiment ended, and no state has since repeated it.

Quiz Question 5: In your view, do you think the state of Tennessee should change the way it funds its educational scholarship programs, including Tennessee Promise and Tennessee Reconnect? Explain why or why not.

Quiz Question 6: How does the existence of state lotteries help bring about "civic corruption," according to philosopher Michael Sandel?

Quiz Question 7: As reported in the National Gambling Impact Study Commission, critics of lotteries argue that advertisements promoting them encourage "magical thinking." But, according to John Berger, in what sense do *all commercials* encourage magical thinking?