

# **DISCUSSION ON WHEN GAMBLING IS SAVING**

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# OVERVIEW OF THE PAPER

- Research question
  - Does the availability of lottery linked savings accounts affect gambling behavior?
  - Are financial gambles substitutes for casino/lottery gambles
- Research methodology
  - Lottery-linked savings accounts were introduced in Nebraska in 2012
  - These were available only in select counties
  - Difference-in-difference approach comparing the pre-post difference for these counties with adjacent counties in which these accounts were not available
  - Dependent variable – gambling activity as measured by cash withdrawal at casinos



# OVERVIEW OF THE PAPER

- Results
  - Consumers in counties with lottery linked savings account availability reduced their cash withdrawals at casinos relative to the control counties
  - This reduction was primarily a result of fewer casino visits rather than a smaller amount in each visit
  - They reduced their purchase of scratch lottery tickets
  - The reduction was primarily for consumers who infrequently or never used credit cards for withdrawing cash, and were more likely to request withdrawal of cash they had in their accounts
  - The effect was largely on local non-destination casinos, and closer to the time of the lottery on the savings account

# IS THE QUESTION POLICY RELEVANT

- Gambling involves transfers between willing private individuals
- Gambling could be considered a form of entertainment
- Should the social planner care whether people gamble more or less?



# GAMBLING

- Gambling industry revenues are over \$95 (AGA)
  - State lotteries constitute ~ 25%
  - Casinos (commercial and tribe-owned) constitute ~ 65%
- ~ 33% of Americans regularly participate in some form of gambling
- Casino gamblers have above average incomes & wealth (Gallup 2003)
- Scratch lotteries are patronized more by the poor than casinos, but it is still not disproportionate to population (Gallup 2003)

## SO SHOULD WE CARE

- Some consumers display addictive gambling behaviors (Guryan & Kearney 2010; Narayanan & Manchanda 2012)
- Some consumers show evidence for irrational behaviors (Guryan & Kearney 2008; Narayanan & Manchanda 2012)
- Heavy gamblers are less likely to have savings accounts or other investments (Gallup 2003)
- If lottery linked savings accounts can substitute for gambling, particularly for these people, it can lead to improved social outcomes



# ARE THE DATA APPROPRIATE?

- Data – cash withdrawals at casinos
  - Cash withdrawals may not reflect consumption
  - Survey data are typically not accurate
  - Aggregate data available at casino level but typically not at the level of county of patrons
  - Even if imperfect, cash withdrawals may be our best bet for now!
- Additional variables (# of transactions, credit card withdrawals, NSF requests) are very useful

# IS THE EMPIRICAL STRATEGY APPROPRIATE?

- Is this a natural/quasi experiment?
  - The counties where lottery-linked savings accounts are available were not randomly selected
  - Identification relies on no systematic differences in pre-post differences in outcomes for treated and control counties other than treatment
  - The absence of differences in trends in the pre-treatment period is good
  - But need to make the case that nothing else that could affect outcomes changed in the post-period in the treated counties
    - E.g. was there a simultaneous ad campaign to reduce compulsive gambling in the treated counties?



## SOME SUGGESTIONS

- Make a stronger case for why we it is policy relevant
  - Is there a net increase in savings rate?
  - Is the reduction in gambling more likely for consumers with low savings rates?
- Make a stronger case for the validity of the empirical strategy
  - Give more information on how the counties were selected for introduction of lottery-linked savings accounts
  - Was there any other change in policy in these counties?
- Play up the result on greatest effect closer to lottery date
  - This is the most convincing result, in that it is hard to explain it through the effect of other changes (e.g. advertising).

## TO CONCLUDE

- Really nice paper that uses good data and a plausible empirical strategy to investigate an interesting question
- The paper has a ton of robustness checks
- With a more convincing case on why this is important, and with a stronger case on the validity of the empirical strategy, the paper has potential to make a nice contribution to multiple literatures