

Why play a losing game? Study uncovers why low-income people buy lottery tickets

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Although state lotteries, on average, return just 53 cents for every dollar spent on a ticket, people continue to pour money into them — especially low-income people, who spend a larger percentage of their incomes on lottery tickets than do the wealthier segments of society. A new Carnegie Mellon University study sheds light on the reasons why low-income lottery players eagerly invest in a product that provides poor returns.

In the study, published in the July issue of the *Journal of Behavioral Decision Making*, participants who were made to feel subjectively poor bought nearly twice as many lottery tickets as a comparison group that was made to feel subjectively more affluent. The Carnegie Mellon findings point to poverty's central role in people's decisions to buy lottery tickets.

"Some poor people see playing the lottery as their best opportunity for improving their financial situations, albeit wrongly so," said the study's lead author Emily Haisley, a doctoral student in the Department of Organizational Behavior and Theory at Carnegie Mellon's Tepper School of Business. "The hope of getting out of poverty encourages people to continue to buy tickets, even though their chances of stumbling upon a life-changing windfall are nearly impossibly slim and buying lottery tickets in fact exacerbates the very poverty that purchasers are hoping to escape."

The researchers influenced participants' perceptions of their relative wealth — or lack thereof — by having them complete a survey on their

opinions of the city of Pittsburgh that included an item on annual income. The group made to feel poor was asked to provide its income on a scale that began at "less than \$100,000" and went upward from there in \$100,000 increments, ensuring that most respondents would be in the lowest income category. The group made to feel subjectively wealthier was asked to report income on a scale that began with "less than \$10,000" and increased in \$10,000 increments, leading most respondents to be in a middle or upper tier.

Participants, who were recruited at Pittsburgh's Greyhound Bus terminal, were paid \$5 for completing the survey and given the opportunity to buy as many as five scratch-off lottery tickets. The experimental group purchased an average of 1.27 lottery tickets, compared with 0.67 tickets bought by the members of the control group.

A second experiment reported in the paper found that indirectly reminding participants that, while different income groups face unequal outcomes in education, jobs and housing, everyone has equal chances of winning the lottery induced an increase in the number of lottery tickets purchased. The group given this reminder purchased 1.31 tickets, compared with 0.54 for the group not given such a reminder.

In the study, the researchers note that lotteries set off a vicious cycle that not only exploits low-income individuals' desires to escape poverty but also directly prevents them from improving upon their financial situations. They recommend that state lottery administrators explore strategies that balance the economic burdens faced by low-income households with the need to maintain important funding streams for state governments.

"State lotteries are popular revenue sources that are unlikely to go away anytime soon," said George Loewenstein, a study co-author and Herbert A. Simon professor of economics and psychology at Carnegie Mellon.

"However, it is possible to implement measures that can actually benefit low-income lottery players and lead to fairer outcomes." Loewenstein noted that one such potential method for addressing income inequality, which has shown promise in other countries, is tying lottery tickets to savings accounts.

Source: Carnegie Mellon University

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