

Why do people play lotteries? Given current pay-out rates, about half the money spent on coupons will on average be lost; only a handful of lucky ones out of millions of players will actually win the jackpot (and, as studies show, will probably not spend it wisely and within a few years will not be much happier than they were before winning anyway). Several potentially appealing explanations of lotteries' surprising popularity have been put forward, but it is often difficult to put them to a proper test.

In this project we will try to conduct several experiments in the field, trying to verify various reasons for which people could perceive lotteries as more attractive than they really are. For example, we will let customers choose between coupons with randomly selected numbers and coupons with numbers they could choose themselves. Observing the fraction that strictly prefer the latter, we will have a better understanding of how many customers (erroneously) believe that they are able to hand pick the numbers that will give them a better chance.

Another group of studies in this project will look at the advertisements. It is often claimed that marketing of lotteries is responsible for pushing people towards excessive play. We will conduct content analysis of the ads, aimed at identifying motives for and beliefs about playing that they try to capitalize upon. We will then link this classification with perceived persuasive potential of each clip or slogan. This will provide us with some ideas of which (mis)conceptions about lotteries may most effectively be utilized by marketers. We shall also investigate the manipulative techniques used by firms and individuals offering "systems" or "guides" to lottery play, allegedly helping become a millionaire.

Finally, we will look at actual sales data and conduct novel econometric analyses. For example, we will look at the games in which customers have a choice between a greater chance for a smaller amount and a smaller chance for a greater amount of money. Popularity of each of the options will provide us with evidence on the distribution of types of distortions in perception of low probabilities. The project will thus result in the progress of scientific inquiry in the gambling industry and decision making in risky situations in general. It will also result in development of a website aimed at the general public, with education materials debunking popular myths associated with lottery play, especially those often cleverly used by marketers and fraudsters.