

research snapshot

summarize | mobilize



Do people spend more on luck-based gambling during recessions?

What this research is about

The gambling industry has been expanding worldwide, as legal gambling becomes more widely available. The European gambling industry has an annual revenue of 85 billion euros and is expanding each year. Currently, 73% of adults in the UK, 80% of adults in US and Australia, and 43% of adults in Italy gamble.

Gambling activities can be divided into two broad categories: luck-based and skill-based. Luck-based activities include buying lottery tickets or using slot machines. These activities do not require any specific skills or knowledge. Skill-based activities include poker and some forms of sports betting. To play a skill-based game, people need to at least understand the rules and may develop specific strategies. Many gamblers tend to engage in either skill-based or luck-based gambling.

Although the gambling industry is expanding each year, economic conditions can affect its growth. Research shows that people may spend less at casinos during economic recessions. However, in Iceland, gambling in general increased during a recession, but skill-based gambling did not. Therefore, people who engage in skill-based versus luck-based gambling may react differently to recessions.

The Italian economy was severely affected by the Great Recession, which started around 2008. The gambling industry in Italy still grew during this period despite the economic decline. This study looked at how the economic recession in Italy separately affected luck-based and skill-based gambling.

What the researchers did

What you need to know

Gambling activities can either be luck-based or skill-based. People who play skill-based games, like poker, need to understand rules and strategies in order to play. However, people who engage in luck-based gambling, like buying lottery tickets, do not need to have any skill to play. The rates of luck-based and skill-based gambling may be affected differently by economic conditions. This study looked at how luck-based and skill-based gambling were affected by an economic recession in Italy, which started around 2008.

The researchers found that economic conditions affected luck-based gambling. When unemployment rates were higher, people spent more money on luck-based gambling. This means that as the economy became worse, people spent more on luck-based gambling. However, economic conditions did not affect skill-based gambling. Thus, luck-based and skill-based gamblers react different to economic recessions.

The researchers used data from the Italian gambling regulatory authority (AAMS). AAMS collected data on 8 types of gambling. The researchers categorized them as luck- or skill-based. They measured the amount of money spent on luck- and skill-based gambling each month from January 2009 to October 2012.

The researchers also used economic data from the Italian National Institute of Statistics. Data included the consumer confidence index. This measures the attitudes and expectations people have towards the business climate. Higher consumer confidence indices

indicate people expect economic growth and, thus, spend more money on goods and services. The researchers also used the male unemployment rate. Higher male unemployment rates are linked to worse economic conditions. Both of these are common measures of the economic conditions in a country. The researchers looked at the economic conditions for each month from January 2009 to October 2012. The researchers then compared the monthly spending on luck- and skill-based gambling to these two economic measures.

What the researchers found

Skill-based gambling

The researchers found that a higher consumer confidence index was linked to higher spending on skill-based gambling. Thus, when people had higher expectations of the economy, they were more likely to spend money on skill-based gambling. However, there was no link between male unemployment rate and spending on skill-based gambling. Overall, the amount of money spent on skill-based gambling increased from 2009 to 2012. However, this might be due to a large increase in skill-based gambling that occurred in July 2011. The researchers stated that this increase was caused by Italy legalizing many online skill-based games at that time. Thus, spending on skill-based gambling did not change much with the changes in economic conditions.

Luck-based gambling

The amount of money spent on luck-based gambling increased steadily from 2009 to 2012. As with skill-based gambling, the consumer confidence index was positively linked to luck-based gambling. People tended to spend more on luck-based gambling when they had higher expectations of the economy. However, the researchers also found that as the male unemployment rate rose, people spent more on luck-based gambling. Overall, the researchers concluded that luck-based gambling increased when economic conditions became worse.

How you can use this research

This study shows that people who engage in luck-based versus skill-based gambling react differently to

an economic recession. The fact that people spend more on luck-based gambling during a recession could mean that they consider gambling as a potential source of income. However, gambling is not a significant or reliable source of income. So, gambling retailers and regulatory boards could raise people's awareness of this fact. This may be especially important to reinforce during economic recessions, when people may feel desperate for money.

About the researchers

Sara Capacci, Emanuela Randon, and Antonello Eugenio Scorcu are affiliated with the Department of Economics at the University of Bologna in Bologna, Italy. For more information about this study, please contact Emanuela Randon at emanuela.randon@unibo.it

Citation

Capacci, S., Randon, E., & Scorcu, A. E. (2017). Are consumers more willing to invest in luck during recessions? *Italian Economic Journal*, 3, 25–38. <https://doi.org/10.1007/s40797-016-0043-x>

Study funding

This study was funded by FARB (FFBO127297—University of Bologna).

About Gambling Research Exchange (GREO)

Gambling Research Exchange (GREO) has partnered with the Knowledge Mobilization Unit at York University to produce Research Snapshots. GREO is an independent knowledge translation and exchange organization that aims to eliminate harm from gambling. Our goal is to support evidence-informed decision making in safer gambling policies, standards, and practices. The work we do is intended for researchers, policy makers, gambling regulators and operators, and treatment and prevention service providers.

Learn more about GREO by visiting greo.ca or emailing info@greo.ca.

