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## Gambling, Saving, and Lumpy Liquidity Needs

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*I present evidence that unmet liquidity needs for indivisible, “lumpy,” expenditures increase demand for betting as a second-best method of liquidity generation in the presence of financial constraints. With a sample of 1,708 sports bettors in Kampala, Uganda, I show that participants’ targeted payouts are linked to anticipated expenditures, while winnings increase lumpy expenditures disproportionately. I show that a randomized savings treatment decreases demand for betting. And I use two lab-in-the-field experiments to show that unmet liquidity needs and saving ability are important mechanisms. These results cannot be explained by betting as a purely normal good. (JEL C93, D81, G51, L83, O12, O16)*

Gambling has been popular for millennia (Schwartz 2013). Today, it is a global industry with revenues estimated at nearly half a trillion dollars.<sup>1</sup> Over the past decade, sports betting has emerged as one of the fastest growing forms of gambling, itself frequently valued over a hundred billion dollars.<sup>2</sup> While the world’s largest markets have historically been in major developed countries such as the United Kingdom, Japan, Australia, and China, new technologies have enabled international companies to enter previously untouched markets, with growth fastest across the developing world and, in particular, throughout Africa.<sup>3</sup> While many view gambling as a valuable source of entertainment and tax revenues, critics raise concerns about potential harms from gambling, including increased crime, indebtedness, and

<sup>1</sup> Markets, Trade, and Institutions Division, International Food Policy Research Institute ([schervakov@ifpri.org](mailto:schervakov@ifpri.org)). Benjamin Olin was coeditor for this article. I am deeply grateful to Jimmy Mupfema and Elizabeth Sedwini. I would also like to thank Michael Anderson, Pierre Bachevalier, Patrick Baylis, Peter Borch, Laurent Boppo, Josh Brown, Victor Burley, Alex de Jesus, Akoma Dedebe, Seth Gera, Tarek Ghann, Marika Klammer, Kim Lee, David Levine, Ethan Lipson, Sprague Mubanga, Craig McIntosh, Scott Mordak, Luc Ntuen, Chao-Edy Liang, Wans-Lee, and Brian Yano for their feedback and contributions. I would also like to thank Antoine Gauthier, Jackie Namboni, James Nankwasha, and Innovations for Poverty Action for excellent work implementing the study. This project would not have been possible without generous funding support from a Doctoral Dissertation Research Grant from the National Science Foundation (NSF-1538052), the Center for Effective Global Action’s East Africa Social Science Translation Collaborative, the Bruce Center at UC Berkeley, the Agricultural and Applied Economics Association, and the Institute for Money, Technology, and Financial Inclusion at UC Irvine. The project had IRB approval from the University of California’s Institutional Review Board 2014-09-0147. The original study design was registered at the Social Science Registry: A18-BCTB-00001025. All errors are my own. The most recent version and online appendix can be found at [www.sylvanherkowitz.com/betting.html](http://www.sylvanherkowitz.com/betting.html).

<sup>2</sup> Go to <https://doi.org/10.3386/w28180> to visit the article page for additional materials and author disclosure statement(s) or to comment in the online discussion forum.

<sup>3</sup> <https://www.statista.com/statistics/723416/global-gambling-market-growth-2019/>

<sup>4</sup> <https://www.statista.com/topics/1746/sports-betting/>

<sup>5</sup> <http://www.bbc.com/sport/football-24354124>

<sup>6</sup> For background on global betting expenditures, see industry reports from BD Gambling Capital (2015), PricewaterhouseCoopers (2014), and Moss (2009).

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