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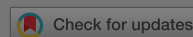
Original Articles

Income Inequality and Gambling: A Panel Study in the United States (1980–1997)

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Abstract

While there are many studies that examine the consequences of increasing income inequality, its effects on gambling behavior have not yet been studied. In this article, we argue that income inequality increases the average expenditure on gambling. Using longitudinal state-level data for the United States (1980–1997), we estimate fixed-effects models to analyze two types of gambling expenditure: pari-mutuel betting and lottery sales.

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Notes

¹Pari-mutuel betting is a betting system that places all bets in a prize pool without a priori providing odds to the contestants. This prize pool is eventually shared between all correct bets, proportional to their contribution to the prize pool. A notable example of this system is the betting that occurs on greyhound racing.

²In our empirical study we focus on the expenditure on gambling, which validates gambling as a risk-taking process. The higher the amount that is wagered (net of the wealth of a state), the higher the risk.

³Note that we do not argue that gambling is the only strategy to achieve upward mobility. There are many ways through which this can be achieved. We argue that upward mobility aspirations is one of the reasons that people gamble, even under lower levels of income inequality.

⁴We included a dummy variable to account for potential differences that arise out of the different coding of lottery expenditure (a “post 1992” dummy). The inclusion of this dummy (tables not shown, available from corresponding author upon request) did not

alter our results. We also included a set of dummy variables to account for potential differences that arise out of the different coding of lottery expenditure (a “post 1992” dummy). The inclusion of this dummy (tables not shown, available from corresponding author upon request) did not see the

⁵See Galor and Moav (2004) for a discussion of the role of lottery expenditure in the process of economic development. We also included a set of dummy variables to account for potential differences that arise out of the different coding of lottery expenditure (a “post 1992” dummy). The inclusion of this dummy (tables not shown, available from corresponding author upon request) did not alter our results. We also included a set of dummy variables to account for potential differences that arise out of the different coding of lottery expenditure (a “post 1992” dummy). The inclusion of this dummy (tables not shown, available from corresponding author upon request) did not see the

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Source: GIBS Survey 1980–1997, University of Texas Inequality Project ([2011](#)).

*p < .05; **p < .01; ***p < .001, two-tailed tests.

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Additional information

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