



Illinois Wesleyan University
Digital Commons @ IWU

John Wesley Powell Student Research
Conference

1997, 8th Annual JWP Conference

Apr 12th, 1:30 PM - 2:30 PM

The Economic Rationale of a Multi-State Lotto

Brett Roush
Illinois Wesleyan University

Robert Leekley, Faculty Advisor
Illinois Wesleyan University

Follow this and additional works at: <https://digitalcommons.iwu.edu/jwprc>

Roush, Brett and Leekley, Faculty Advisor, Robert, "The Economic Rationale of a Multi-State Lotto" (1997). *John Wesley Powell Student Research Conference*. 48.
<https://digitalcommons.iwu.edu/jwprc/1997/posters/48>

This Event is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/ or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.

©Copyright is owned by the author of this document.

Poster Presentation 44

THE ECONOMIC RATIONALE OF A MULTI-STATE LOTTO

Brett Roush and Robert Leekley*, Department of Economics, IWU

State lotteries have existed in their modern form in America since 1963. Multi-state lotto games, however, are a relatively recent product development. This study seeks to explain how a multi-state lotto fits into a state's portfolio of lottery products. Past research has never focused specifically on what makes offering a multi-state product attractive from the state's perspective.

In order to economically rationalize this new product the author first develops a model of the consumer under risk, employing the Friedman-Savage utility model as a starting point. Using this model as well as past empirical findings, the author generates a number of specific hypotheses regarding what affects demand for a lotto. Standard regression analysis with data points from across the United States on both a single- and multi-state level allows the construction of a demand function for lotto products. The author then uses the estimated function to predict the future revenues of Illinois' lotto products as well as examine the state's decision to participate in the recently-commenced multi-state lotto known as "The Big Game."