Estimating the impact of the national lottery on the Spanish local economic outcomes

Ponentes: Alejandro Martínez Marquina y Christina Allison Kent
Department of Economics, STANFORD UNIVERSITY (USA)
Tel: +33 6 25 63 68 12
Email: arslan.mazouni@gmail.com

ABSTRACT

What happens to local economic development when an entire community suddenly receives a large wealth shock? We analyze a natural experiment in Spain to answer this question. Every year since 1812, Spain has conducted a national lottery, which often results in the random allocation of up to $800 million in cash to the citizens of one town. This is the only case in the world where individuals living in the same town all randomly receive pure wealth shocks of this scale. We examine the average effect of these wealth shocks over time by matching winning towns to similar towns that never won the lottery. Using new data collected on economic outcomes for Spanish towns going back to 1965, we study how these shocks affect towns' economic growth in the long run.