



RESEARCH COMMENTARY

ELIMINATING THE UNDERGROUND ECONOMY: EVIDENCE FROM LOTTERY GAMBLING POLICY IN THAILAND

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RESEARCH QUESTION ←



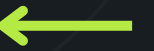
HOW DID

THE GOVERNMENT'S CRACKDOWN ON ILLEGAL LOTTERIES AND THE IMPLEMENTATION OF TWO- AND THREE-DIGIT LOTTERY PROGRAM BETWEEN 2003 AND 2006 AFFECT PEOPLE'S GAMBLING SPENDING HABITS ?





DATA



The study used data from

TOWNSEND THAI PROJECT HOUSEHOLD MONTHLY SURVEYS FROM 2000 TO 2009

- 2000 - 2003 Before TTL
- 2003 - 2006 TTL implemented
- 2006 - 2009 After TTL dismissed



METHOD ←



The study used

DIFFERENCE-IN-DIFFERENCES

to investigate the substitution effect
from TTL to BML
during the TTL implementation (2003-2006)
and after TTL dismissed (2006-2009)

MODELS



TREAT ^I

(BLM buying behavior between 2000-2003, before TTL.)

Measuring the effect of the crackdown and TTL on various expenditures especially BML and government lottery both during TTL implemented (2003-2006) and after TTL dismissed (2006-2009).

TREAT ^{II}

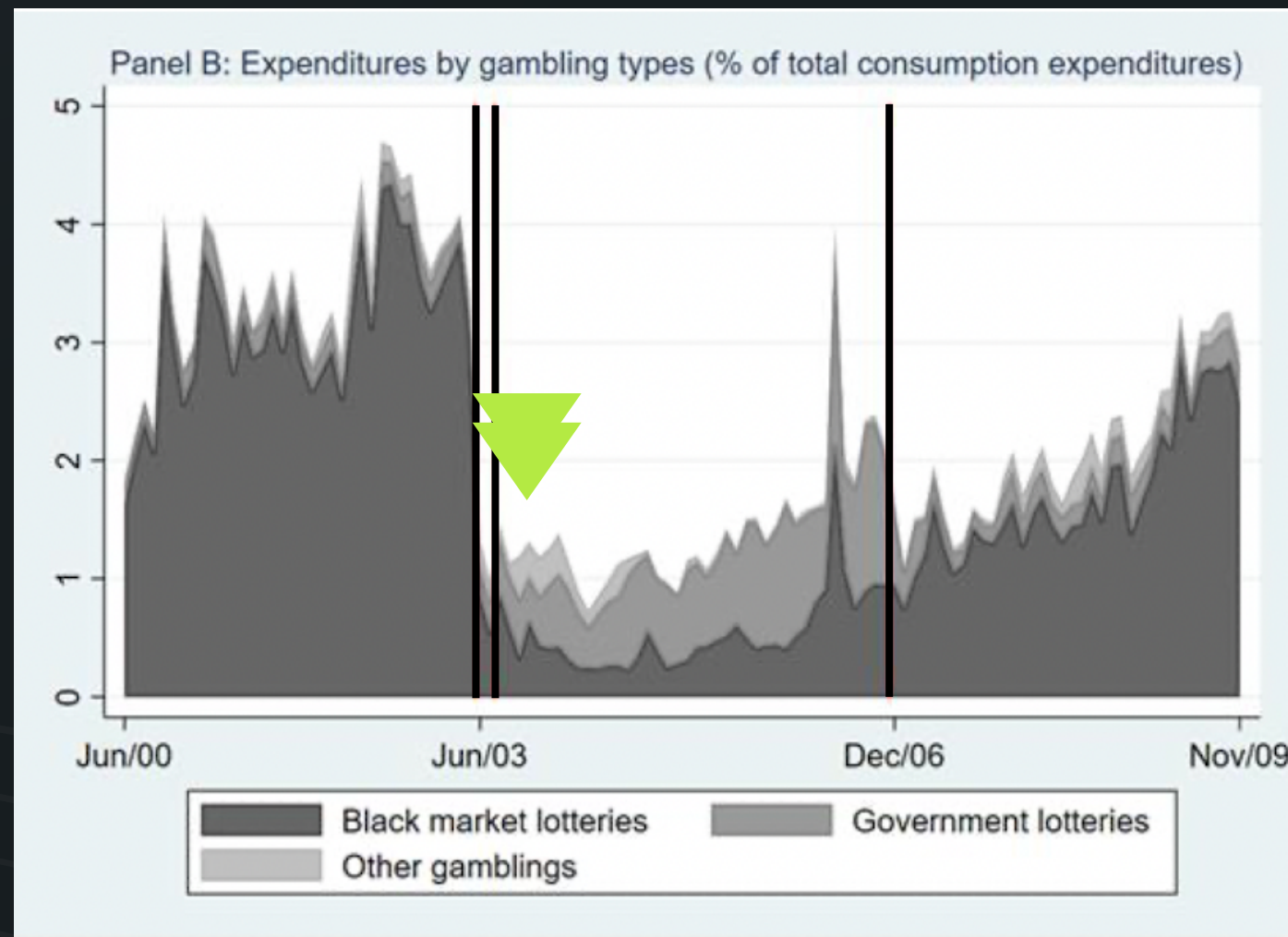
(Government lottery buying behavior between 2003-2006, during TTL.)

Measuring discontinued of TTL on various expenditures especially BML and government lottery.



THE EFFECTS OF

THE CRACKDOWN AND TTL



BLM expenditure reduced substantially with little increased in government lotteries expenditure.

RESULTS ←

COMMENTS -

SUPPLY SIDE

- Supply shock occurred in BML (due to the crackdown).
- TTL supply may not be ready to compensate for the loss of BML supply, resulting in decreased spending on lotteries during the early stages of the intervention.

DEMAND SIDE

- Lottery players may reluctant to buy TTL as it start (not sure how to play and where to buy).



: What would have happened if TTL had been continued, given that the trend of spending on TTL had been rising between 2003 - 2006?



FINDING -

- Terminating TTL result in a rise in BML, but at a slow pace.
- The supply side intervention through government-monopolized gambling may be preferable as it can lower demand for gambling (lottery expenditure).

COMMENTS

- Undoubtedly, the intervention would increase government revenue.

BUT FOR REDUCING GAMBLING DEMAND ??

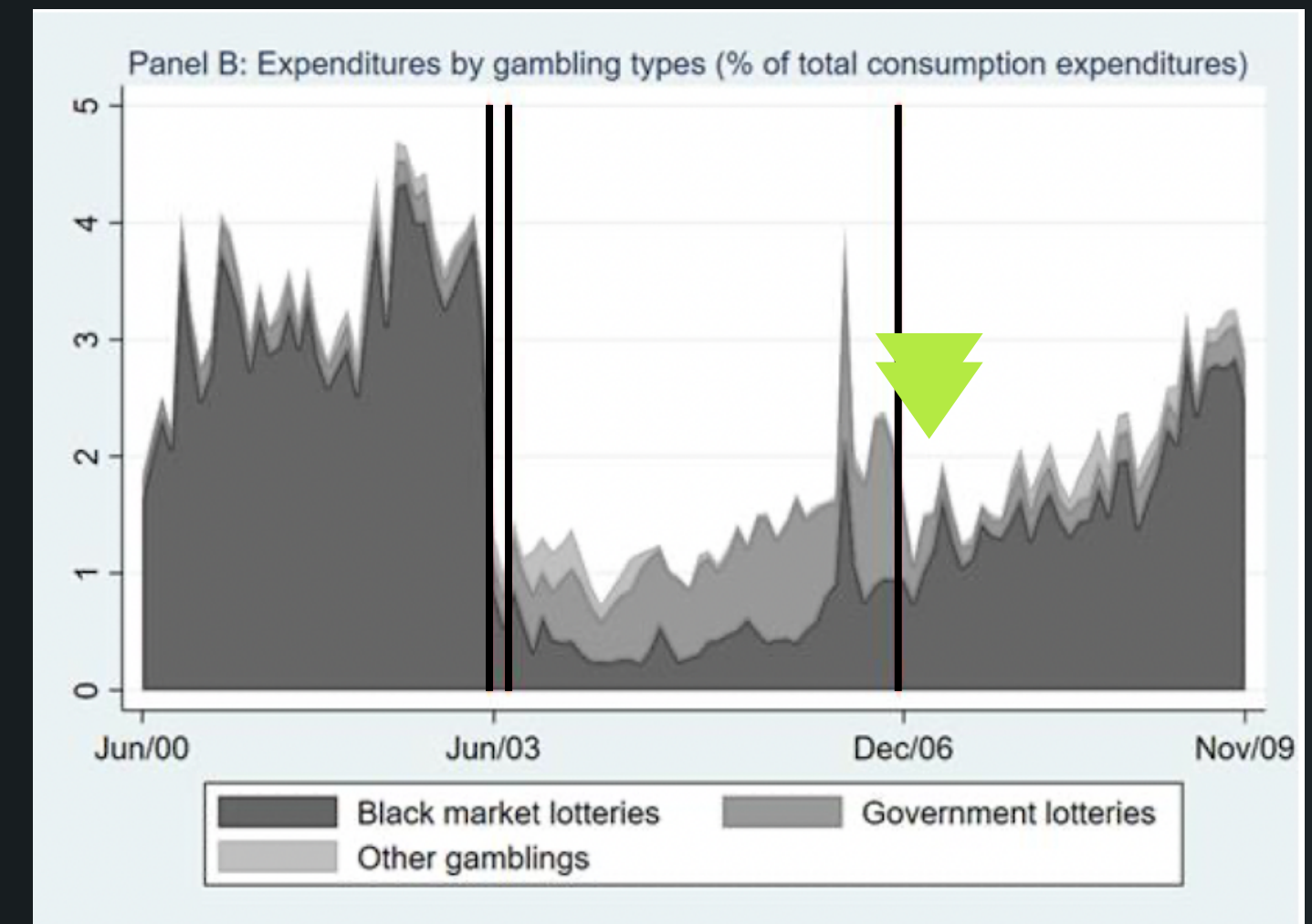


- The trend of TTL purchases increased continuously from 2003 to 2006. What would have happened had TTL continued beyond 2006?
- TTL didn't appear to reduce lottery spending over the long term. As demonstrated by the pattern of BML purchases, which sharply rose after 2006.

RESULTS ←

THE EFFECTS OF

THE CRACKDOWN AND TTL





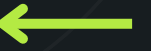
Due to the limitation of data, it would be difficult to separately identify the effect of the crackdown and TTL on gambling expenditure.

Therefore, it is challenging to draw conclusions of :

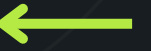
- whether having TTL with standard law enforcement for BML would diverse expenditure on BML to TTL .
- whether TTL would actually reduce gambling expenditure not the effect of law enforcement.



OTHER COMMENTS



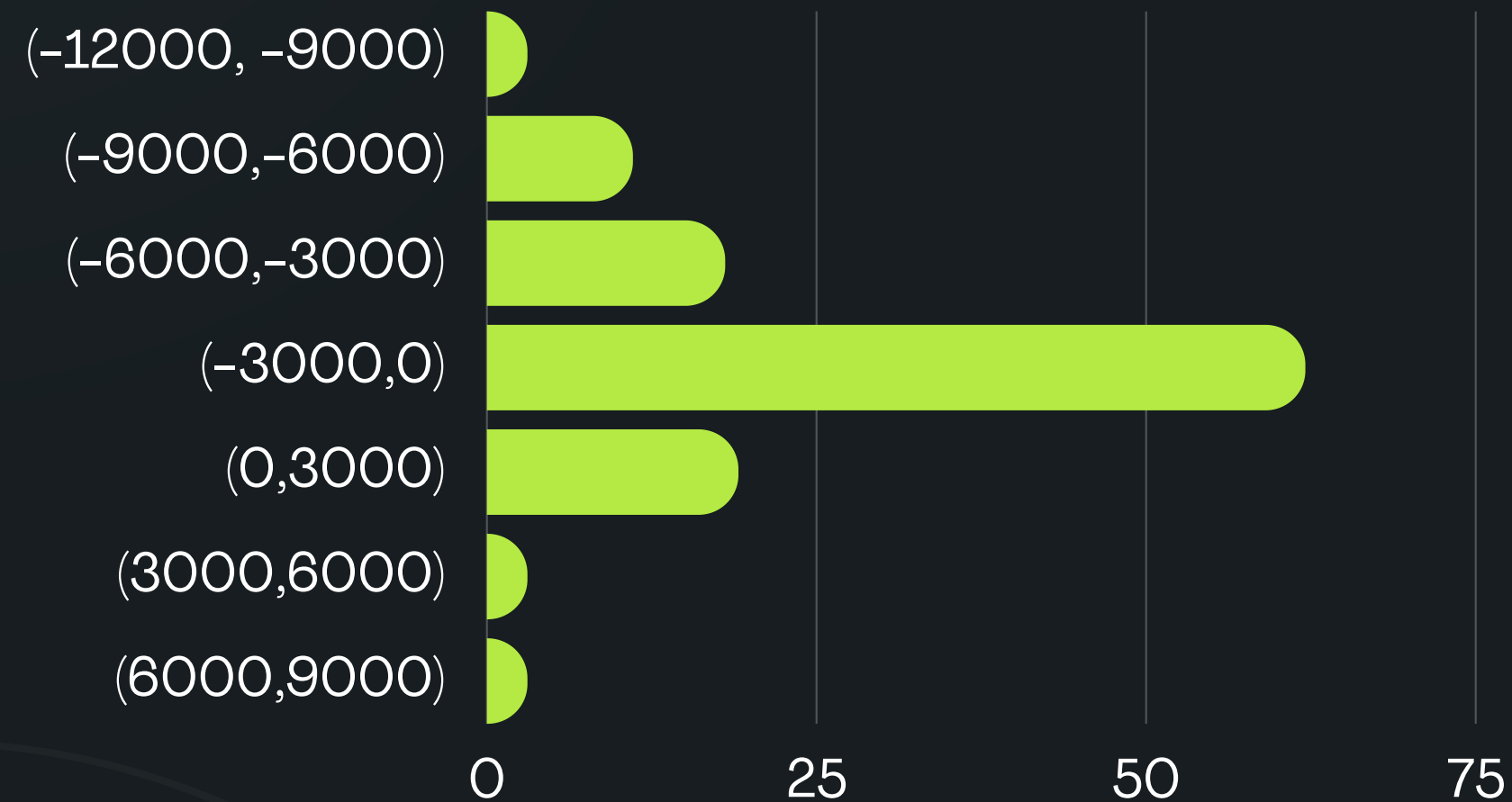
OTHER COMMENTS



- It would be possible to distinguish between the effects of TTL and the crackdown on gambling expenditure if the study was able to find additional information about the level of law enforcement, which may have differed over the introduction of TTL.
- Something might occur in the last year of the program since the BLM expense appeared to increase more quickly than the TTL expenditure.



FURTHER INVESTIGATION ON DEMAND SIDE ←



Value of profit/loss from buying BML
by number of households

**IN A YEAR, 80% OF
BML PLAYERS LOSE
THEIR MONEY.**



FURTHER INVESTIGATION ON DEMAND SIDE ←

NET PROFITS/LOSSES
INFORMATION



BML purchasing

SAVING



PROVIDING INFORMATION OF NET PROFITS AND LOSSES FROM BML

leads people to reduce their BML purchase
and put about 50% of the money gained from
reducing BML purchase into savings.



This might be included to government
lottery selling application, which might result
in a decline in demand for lottery purchases.





Let's Ask Something Now!

