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Title: The Own and Social Effects of an Unexpected Income Shock: Evidence from the Dutch Postcode Lottery

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Abstract: In the Dutch Postcode Lottery a postal code (19 households on average) is randomly selected weekly, and prizes – cash and a new BMW – are awarded to lottery participants in that postal code. On average, this generates a temporary, unexpected income shock equal to about eight months of income for about one third of the households in a winning code, while leaving the incomes of non-winning, neighboring households unaffected. We find that the ‘own’ effects of winnings are largely confined to cars and other durables; the social effects are confined to cars and highly localized. Relative to the modest effects of the lottery wins on households’ own consumption choices (consistent with the life-cycle hypothesis), the social effects are substantial.