

Gambling: all bets are off ****

Homo economicus

50 minutes

individual and group work



Introduction

The term *gambler's fallacy* refers to the mistaken belief held by some people that independent events are interrelated. For example, a roulette or lottery player may not choose to bet on a number that came up in the previous round. Even though people are usually aware that successive draws of numbers are unrelated, their gut feeling may tell them otherwise.

Another example: Say you have \$80 and are faced with a choice: you can enter a lottery where you have a 75% chance of losing that \$80 and a 25% of keeping it, or you can hold on to \$20 and avoid the lottery all together. What would you choose? Faced with such a gamble, there's no right or wrong choice. If you want a sure \$20, you'll avoid the gamble. But if you want a shot at going home with \$80, you'll take the risk. Neither of these choices, on their own, is irrational. But behavioural economists have identified a strange type of irrationality that influences people's reactions to these kinds of gambles: the faster people think, the more susceptible they are to that irrationality.

In the broader context of this, you will learn about the difference(s) between *rational economics* and *behavioural economics*. The purpose is to think about which of the two we tend to live in the most.

The final task is to hone in on ads for casino gambling, the factors of persuasion relative to such advertising, and the question whether advertisers have a moral responsibility not to mislead their target audience. You will do this by creating two ads, on opposite sides of the spectrum.

Exploration

A

1. Watch this segment of the *David Pakman Show*, in which Pakman answers the question where reality falls between so-called rational economics and behavioural economics: https://www.youtube.com/watch?v=9UDgvq_zTds
2. Read some of the comments posted that disagree with Pakman's answer. Where do you stand?
3. Summarise Pakman's answer in 150-200 words.

B

1. Watch the 'Gambler's Fallacy' video about the misunderstanding that random past events can have an effect on future events: https://www.youtube.com/watch?v=f_MUjkr0yu4
2. Decide whether you agree that the average gambler's take on winning is a fallacy or not.
3. Does the same principle of the coin toss and slot machine apply to winning (or losing) in a game of cards? Explain.

Final task

1. Gather 10 examples of (online) casino gambling advertisements.
2. Rank order the 10 examples from least misleading to most misleading (no ties).
3. Create/Compose the most misleading casino gambling advertisement (choose your medium) you can come up with, keeping in mind that you still want lots of people to 'buy it'. Why do you think lots of people will buy it?
4. Create/Compose the most honest casino gambling advertisement (choose your medium) you can come up with, keeping in mind that you still want lots of people to 'buy it'. Why do you think lots of people will buy it?
5. Can the gamblers that respond positively to your most misleading advertisement also be the gamblers that respond positively to your least misleading advertisement, or do they complement each other? Explain your answer.
6. Compare your creative products with your classmates'. Have a discussion about how this type of advertising is rooted in behavioural economics (or not, depending on your beliefs). Keep in mind that there must be a success formula for most casinos to make huge amounts of money.