

# Decision Processes Colloquia

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Monday, February 17, 2025

Where: JMHH G50

When: 12:00 – 1:20 pm

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## The Luck Celebration Hypothesis: How Permission Lotteries Affect Permitted Purchases

### ABSTRACT:

Lotteries are one of the most commonly adopted resource allocation mechanisms. NYC Marathon organizers hold lotteries to select applicants, the U.S. Department of State conducts green card lotteries, and the Traffic Management Bureau in Beijing, China, conducts monthly lotteries to allocate license plates. Our research examines an unexpected and powerful downstream consequence of permission lotteries on the permitted purchases. Using a large dataset (50,938,293 observations in total) that includes all privately-owned vehicle registration records from 2006 to 2015 across 35 major cities in China, we found that while the license plate winners were neither richer nor poorer than others, they spent about 20% more on their licensed car purchases after winning the license lottery. Through laboratory experiments, we replicated this finding among college students in Hong Kong (with actual purchases) and American online participants, establishing causation from permission lotteries to purchase boost. Lastly, we provide psychological insights into this procedure-invariance effect and discuss potential managerial implications for behavioral pricing.

