IQ and Gambling Consumption: An Analysis of Horse Race Betting Participation and Expenditure Using Individual-Level Data

Abstract

Recent literature suggests that intelligence is positively associated with economic outcomes involving risky decisions such as investment portfolio returns (Grinblatt et al. 2012). Gambling is a form of entertainment in which consumers buy risky products with negative expected values. However, the relationship between intelligence and gambling consumption is not understood yet. We use a unique individual-level data set from Finland to investigate how intelligence predicts gambling participation and expenditure. Our data consists of betting data from a monopoly horse race betting operator (betting participation and expenditure on betting), background information on the Finnish adult population from Statistics Finland (e.g. personal income, socio-economic status), and data on intelligence quotient (IQ) tests administered to conscripts by the Finnish Defence Forces (test scores for the mathematical, visuospatial and verbal measures of IQ). Our results suggest that a high IQ is positively associated with betting participation and the expenditure on betting. However, inspecting the three measures of IQ separately suggests that the mathematical IQ drives the positive relation between gambling and intelligence. In contrast, the visuospatial and verbal IQ are negatively associated with gambling participation and expenditure.

Implications statement

This paper provides novel information on how gambling consumption is associated with the consumer’s socioeconomic background and intelligence.

Keywords: intelligence, individual-level data, gambling expenditure, gambling participation, consumer behavior, horse race betting