

Discussion of “Impact of Lotteries and Inheritance on
Savings, Consumption, and Labor Behavior:
Evidence from U.K. 2001 - 2008”
by Seung Yong Sung

Aaron C. Watt
UC Berkeley
Second Year Paper Discussion

March 2022

Summary: Setup

Overview:

- UK Household Panel Data with 24,216 HH-year observations
- Savings likely censored below by zero.
- Consumption proxied by grocery expenditure.
- Labor as reported hours per week.

Comparative advantage of the paper

- UK is understudied
- Panel data \implies HH fixed effects
- Both lottery and inheritance effects

Summary: Results

Table: Sung 2022 Results

Result	Dependent Variable (all controls)		
	Savings (£)	Labor (Hrs/week)	Consumption (£/year)
£1,000 inheritance ↗	117***	-0.0168**	8.472***
£1,000 lottery winnings ↗	155*	0.0762	-0.099
Difference in response?	None Sig.	None Sig.	Yes
Heterogeneity? (age or income)	None Sig.	None Sig.	Yes – 56+ consuming more

- Emphasized the importance of difference in phrasing of survey questions in comparing estimates
- Allowed for comparisons between effects from lottery vs. inheritance
- Tobit-like censoring estimation – appreciated account of censoring

Might benefit from...

Appendix section on Honoré's censoring model (would like to see the equation you are applying to your data).

“However, this assumes a simple model in which individuals can only either (dis)save or consume. Empirical results would differ if individuals may gift or invest...”

Perhaps you could either

- write down the model and show why it would differ with gifts/investment
- explain more how gifting / investing differs from saving

A brief discussion of what policies / decisions these empirical estimates might be used for. e.g., an example of how est. heterogeneity in savings rates from inheritance might affect policy.