The Division of Economics and the Economic Growth Centre cordially invite you to a seminar by Dr Jie Zheng

**Speaker:** Dr Jie Zheng  
*Assistant Professor*  
*Tsinghua University, Economics at the School of Economics and Management*

**Topic:** "Representativeness Biases and Lucky Store Effects"

**Chairperson:** Assistant Professor Hong Fuhai  
*Division of Economics*  
*School of Humanities & Social Sciences*  
*Nanyang Technological University*

**Date:** Wednesday, 12 November 2014

**Time:** 4:00 pm – 5:30 pm

**Venue:** HSS Meeting Room 5 (HSS 04-89)  
*Nanyang Technological University*  
*School of Humanities and Social Sciences*  
*14, Nanyang Drive*  
*Singapore 637332*

**About the Speaker:**

Jie Zheng is an Assistant Professor of Economics at the School of Economics and Management, Tsinghua University. He received his Ph.D. in Economics from Washington University in St. Louis in 2011. He also received his M.A. degrees in Economics from Tsinghua University (2005) and Washington University (2007), respectively, and his B.A degree in Economics from Tsinghua University in 2003. His research areas are Microeconomic Theory, Information Economics, Experimental Economics, and Industrial Organization. His research papers have been accepted by journals including American Economic Review (Papers and Proceedings), Experimental Economics, and Chinese Economy. His work with David K. Levine has been included in the Handbook of Experimental Economic Methodology.

**Abstract:**

When can the Gambler’s Fallacy (GF) and the Hot Hand Fallacy (HH) co-exist in the same context? Recent theories (Rabin, 2002; Rabin and Vayanos, 2010) propose that both belief fallacies are driven by Representativeness Bias, also known as the Law of Small Numbers (Tversky and Kahneman, 1971). The Lucky Store Effect (Guryan and Kearney, 2008) in which the popularity of a lottery retailer surges after selling a winning ticket, bears an intuitive similarity to the Hot Hand Fallacy, yet has been previously thought to be irreconcilable with Representativeness Bias. This paper sheds light on the theory and empirical evidence on this issue. First, we extend the Law of Small Numbers model of Rabin (2002), to the context where a decision-maker needs to choose among different lottery ticket stores, after observing a history of prior outcomes. We show that the decision-maker tends to believe that the store which has won previously, even if this event has only occurred once before, has a higher chance of winning again. Our model implies that the Lucky Store Effect can be understood as a specific example of a generalized Hot Hand Fallacy, in which decision-makers believe that ‘previous winners will win again’. Then, we provide our own empirical evidence on the Lucky Store Effect and Gambler’s Fallacy, from a large peer-to-peer online lottery marketplace for the Chinese national lottery. We find that lottery players exhibit Gambler’s Fallacy beliefs when picking lottery numbers, while believing in ‘lucky stores’ when choosing which online lottery store to purchase their tickets from. Our empirical results are also consistent with the traditional intuition of the Hot Hand Fallacy as being associated with a human or skill-based factor.

**Reservation:**

Admission is free. Please reply to Director-EGC, e-mail:d-egc@ntu.edu.sg to confirm your attendance.