Election results: the bookies know best
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Polls are useless in predicting the outcomes of Australian elections but it would appear the bookies are on the money.

Economists Andrew Leigh from the Australian National University and Justin Wolfers from the University of Pennsylvania examined last October's national election to determine which methods best predicted its outcome.

Their research, to be presented today at the Economic Society of Australia's Annual Conference of Economists in Melbourne, showed betting markets predicted not only that John Howard would win with an increased majority, but also foresaw outcomes in three-quarters of the marginal seats.

Analysing data from Centrebet, International All Sports, Sporting Bet and SportsAcumen, Mr Wolfers found that the bookies' data responded quickly to campaign news as well as outside factors such as the Jakarta bombing in the 2004 campaign.

"These data also suggest that the Labor's Tasmania forestry announcement provided the coalition with a substantial boost," their research said. The polls on the other hand, were extremely volatile and should be used with caution, the authors said.

Using the polls published by ACNielsen, Galaxy, Roy Morgan and Newspoll, the academics found their predictive power to be very low, often favouring a Labor Party win.

Betting markets suggested the likelihood of a coalition win varied only from 54 per cent to 77 per cent, but the polls predictions of a coalition win during the campaign swung widely between 0.7 per cent and 98.3 per cent over the six-week period.

"The most striking aspect of this figure is the extreme volatility of the implied probability of a coalition victory suggested by the polls."

Dr Leigh and Dr Wolfers also analysed the models that try to predict election results based on economic robustness. They found these also predicted a Howard win.