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October 1, 2002

# Betting odds may predict elections better than polls

On election day next month, Republicans have a 7-in-10 probability of gaining majority control of the House of Representatives and a 1-in-3 chance of taking both the House and Senate, predicts Stanford Graduate School of Business faculty member Justin Wolfers.

Traditionally, political pundits and campaign managers could pay big money for a pollster to return these kinds of odds. But new research by Mr. Wolfers suggests an intriguing alternative: Call a sports bookie, especially if the race is tight.

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Mr. Wolfers, an assistant professor of economics who as a youth worked for a bookmaker in his native Australia, followed a hunch about the predictive power of betting markets in forecasting the outcome of political elections. With Andrew Leigh of the John F. Kennedy School of Government at Harvard, he co-authored a study examining the effectiveness of three tools for forecasting the outcome of Australia's 2001 federal elections: economic modeling, opinion polling, and betting odds.

While the study found that all three methods performed reasonably well, it introduced, for the first time in Australia, a new source of data for predicting elections: betting statistics from one of the country's largest bookmakers.

The study's provocative conclusion is this: Particularly in marginal

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seats, the press may have better served its readers by reporting betting odds than by conducting polls.

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