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## Forget polling voters, just ask the punters

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THIS week three years ago, David Cox, Labor's slightly dishevelled member for the Adelaide seat of Kingston, stopped to contemplate his fortune in the parliamentary corridor. His party had surged to a 6 percentage point lead in the opinion polls, after years of wretched irrelevance.

Publicly, Labor had been talking with caution and humility; privately it was a different story. Cox, a hard-headed economist and strategist, allowed a schoolboy grin to spread across his usually deadpan face. "It's amaaaaazing," he said.

That was February 2004. Nine months later, voters threw Cox out of his seat and gave his party another thrashing.

Now, Labor is led by a cautious workhorse with none of Mark Latham's fissile characteristics. John Howard has aged three years; and with Iraq, climate change and perhaps interest rates, the times that famously suited him appear to have shifted. Labor's opinion poll lead is now 10 points, not six.

Yet there is none of the premature celebration that marked Labor three years ago, and only a hint of the panic that rippled through the Coalition. Chastened by their Latham exuberance, press gallery reporters are falling over themselves to show sagacious restraint and predict a Howard comeback.

The pundits now know better than to be swept around by opinion polls. As economists such as Justin Wolfers and Andrew Leigh have shown, polls can have almost zero predictive value so far out from an election. Polls reveal what people say they will do, even those who have hardly thought about the questions being asked. And margins for statistical error are typically large.

Gambling markets, however, can aggregate what insiders and informed gamblers really think. "Anybody that has a close interest in politics watches the betting market," says one Coalition apparatchik. "They're a more accurate predictor of election results because people actually have something riding on it."

Betting markets never predicted Latham would win the 2004 election. At the equivalent stage of 2004, at the end of the first parliamentary sitting week in February when Newspoll showed Labor with a six-point lead, Sportingbet was offering \$2.90 for a Labor victory on a \$1 bet and \$1.38 for the Coalition. This implied only a 33 per cent chance of Labor victory. In May 2004, Labor's odds briefly touched \$2 (taking account of the bookies' profit margin, this implied a 47.5 per cent probability of victory). "This was as short as Labor got," says Sportingbet's manager of sports bookmaking, Stuart Springer.

Then came Latham's famous "troops home by Christmas" dictum and the money flooded back to the Coalition. By election day, Sportingbet was offering \$4.60 for Labor and \$1.16 for the Coalition.

In these early days, Kevin Rudd is more of a temptation for punters than Latham ever was. Since the

first Monday in December, when Rudd took Beazley's job, the money has been flowing only one way. In the past fortnight, Sportingbet has taken 20 bets for Labor but only one for the Coalition.

"Howard was \$1.65 [against Rudd's] \$2.30 when Rudd took over and its been steady money for Rudd ever since," says Springer. Yesterday, he had Labor and the Coalition heading for a dead heat, paying \$1.90 for a successful bet on either side. "Labor has never reached odds-on before," said Springer.

Other gambling sites have the Coalition in front by a nose. Yesterday, IASbet was offering \$1.85 for the Coalition and \$1.95 for Labor. At Sportsbet it was \$1.77 for the Coalition and \$2 for Labor.

Centrebet, which has the largest pool of gamblers, took bets as large as \$50,000 for the Coalition last year. But the momentum shifted when Rudd took over and "got on the front foot" in key policy areas, said Neil Evans, a Centrebet spokesman. By Wednesday the Centrebet odds had closed to \$1.80 for the Coalition and \$1.90 for Labor, before widening slightly yesterday.

Centrebet received a consistent stream of small bets for Rudd until the middle of this week, when a few punters placed a lot of money the other way.

The polls are predicting a Rudd landslide and the pundits are backing Howard. But, this time, the punters with the smart money are sitting on the fence.

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