

Punt the polls and place your bets with a bookie

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If you want to predict the winner in an election, don't worry about the polls. Have a look at the betting odds.

Seriously. A study by Stanford University's Graduate School of Business, concludes that, particularly in marginal seats, "the press may have better served its readers by reporting betting odds than by conducting polls".

Examining data from one of Australia's largest bookmakers, Centrebet, the study found the "betting market not only correctly forecast the election outcome, but also provided very precise estimates of outcomes in a host of individual electorates".

The study's authors - Justin Wolfers, an assistant professor of economics from Stanford, and Andrew Leigh, from the John F. Kennedy School of Government at Harvard - say their tracking of election betting is a first for Australia.

The betting was compared with the forecasting results for polls and economic models (which relate results to changes in indicators such as unemployment and inflation).

The odds on a Howard victory

were the same on the first and last day of the formal campaign. The variations between suggested the campaign itself was an approximate draw, with Kim Beazley winning the first half and John Howard the second.

Centrebet also offered odds on the outcome in 47 electorates. The betting favourite won in 43. "Given that most marginal seats were in this sample, the fact that the market correctly selected in so many tight races is quite extraordinary," the authors say.

In three marginal seats where polls and betting could be compared, the polls were right in two and the betting market in three.

Centrebet offered another form of betting in 12 non-marginal seats, allowing punters to bet against "the line". For example punters were asked to bet on whether Mr Beazley's primary vote in Brand would be under or over 50.5 per cent, with equal odds offered on both results.

"In nine of these cases the closing odds were the same, whether betting on 'over' or 'under', suggesting the market suggested the line as an unbiased estimate of the likely outcome. These predictions were indeed extraordinarily accurate."