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SMART BET

Economist's Advice on Super Bowl Pick: Follow the Money

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So, you want to be a football expert, but can't actually be bothered devoting the hours required to understand the intricacies of the game? Let me help. Like you, I know that I'm never going to be the most knowledgeable football fan — I've never played the game, and grew up watching Australian rules football instead — but equally, I don't want to be excluded from water cooler conversations.

Fortunately, I'm also an economist, and economics presents an incredibly powerful shortcut to becoming the most knowledgeable sports fan in the room.

Economics teaches us that in an efficient financial market, the actions of informed buyers and sellers lead stock prices to come to reflect all available information. This is a theory called the efficient market hypothesis. And it is

relevant because the sports betting market is just like the stock market.

By this view, bettors aren't just gambling, they are buying stock in a team, and that stock is worth a lot if they win, and nothing if they lose. The hundreds of millions of dollars bet on Sunday's game helps ensure that it is also an extremely efficient market. Sure, there are some fans betting based on their favorite team, but what matters for market efficiency is whether the marginal dollar that is bet comes from those who are concerned more about profits than team loyalty. In betting, as in finance, greed trumps loyalty.

The implication then is that the betting odds reflect all available information. This is a powerful insight, because it says that once you've seen the bookmakers' odds, you've effectively summarized the thousands of pieces of data about the relative merits of the Patriots and the Seahawks that football fans obsess over. Perhaps the theory is a bit too optimistic, and the market is not perfectly efficient, but dozens of studies suggest that it is pretty darn close.

So let's make you an expert on Super Bowl XLIX. While the betting odds and point spread have drifted around a bit during the week, right now most bookmakers are giving exactly the same odds for a Patriots victory or a Seahawks one. That says the two teams are very evenly matched. Anyone around the water cooler who says otherwise is a fool, especially relative to the combined knowledge of millions of bettors that you're bringing to the table. If an overconfident colleague is willing to offer any kind of odds suggesting one team is superior, you should take the bet. It doesn't matter which team you're betting on, just take the bet. Trust me, I'm an economist.

It is unusual for Super Bowl teams to be so evenly matched. In around half of all Super Bowls, one side has been expected to beat the other by a touchdown or more.

The wonderful thing about the Super Bowl is that there are betting markets on all sorts of other outcomes related to the game. You can apply the same insights about how markets aggregate information to these bets, too, although realize that the more far-fetched the topic, the more likely it is that the market is imperfect.

These "prop bets" will give you plenty of ways to impress your friends with

your subtle knowledge of the game. Tell them that you expect Patriots quarterback Tom Brady to throw for around 265 yards, on around 38 pass attempts, and compare this with the Seahawks' Russell Wilson, who will probably throw for around 225 yards in 18 attempts.

Seahawks running back Marshawn Lynch will probably rush for around 90 yards, on 20 carries, which puts him ahead of his Patriots counterpart, LeGarrette Blount, who is probably only good for 62 yards. You're looking for a big defensive game from Seahawks linebacker Bobby Wagner, who will record around nine or 10 tackles. And you should say that penalties will really matter (they always do), but back this up by saying that you expect the Seahawks to give up the most penalty yards.

Of course, your knowledge of the game is even deeper than that. Betting markets tell you that around 113 million people are likely to watch the game, that Patriots Coach Bill Belichick will be more likely to wear a blue hoodie than a gray one, and that Brady is most likely to be the best most valuable player. But conclude by admitting that there are some aspects of the game that even you remain uncertain about, and it's roughly an even bet as to whether Marshawn Lynch will accrue more crotch grabs than Katy Perry.

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