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EFFICIENCY OF MARKETS

# Betting Markets Not Budging Over Poll on Scottish Independence

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**Justin Wolfers**

A poll published over the weekend suggesting that a majority of Scots will vote for independence Sept. 18 has both tanked the British pound and put the issue squarely in the international spotlight.

But this is an extremely unusual political race, and polls don't have any real track record in predicting such referendums. Moreover, it's unclear whether the recent shift in public opinion is a tipping point or a statistical aberration.

The fast-moving news cycle may further shift public opinion — whether it's recent promises for greater autonomy if the Scots remain within Britain or the announcement of another royal pregnancy. These broader uncertainties are never included in the so-called “margin of error” that comes with these

polls.

But political prediction markets, in which people bet on the likely outcome, are all about evaluating and quantifying the full range of risks. And currently, bettors aren't buying into the pro-independence hype.

In contrast with the polls, traders at the British betting exchange **Betfair.com** currently assess the "No" vote as the likely favorite, assigning it a 72 percent chance of winning. To be sure, that still suggests a sizable 28 percent chance that a majority of Scots will vote for independence, but the odds that it will happen seem a lot weaker than polls would suggest.

Either way, the Scottish referendum will provide one more data point to inform the continuing debate among political prognosticators about the relative efficacy of polls versus markets. It's a debate I've followed closely throughout my career, and over the hundreds of such comparisons I've studied, markets have typically had the edge. Prediction markets may not get it right every time, but they get it wrong less often.

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