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Today's
Headlines
Steelers
Penguins
Pirates
Golf
Columnists
Notebooks
Breaking News
High School
Riverhounds
U. of Pittsburgh
Penn State
Duquesne U.
Other Colleges
Page 3
Outdoors
Other Sports

[Home](#) > [Sports](#) > [Other Sports](#)

Strange...But True

Wednesday, January 08, 2003

By Dan Gigler, Post-Gazette Sports Writer

Hey palooka ... you lookin' for a little action on this weekends playoff games? Gotta love the over (44 at last check) in the Steelers/Titans game, right? How 'bout Atlanta? Seven point dogs, with Michael Vick at the helm? Well, before you lay the juice and lose the house payment on a parlay, check this out ...

According to an article by Ira Carnahan on [Forbes.com](#), a growing body of academic research suggests that while the sports betting market, like the stock market, is mostly efficient, the psychological biases of bettors create some anomalies -- and openings for profit.

Justin Wolfers worked in the Australian bookmaking industry before getting his Harvard Ph.D. and now teaches "Finance, Behavioral Economics and Sports Betting" at Stanford's business school. He warns it's tough to come out ahead, both because professional gamblers often act as arbitrageurs, thus reducing anomalies, and because transaction costs are so high. Here are some tips from the research of the gambling dons.

1. Bet against suckers

When you wager on a game, you're not betting against your bookie, who usually strives to maintain a line that will draw an even balance of bets, but against fellow bettors. If more bettors favor the Steelers, the bookie moves the line, requiring the Steelers to win by a bigger and bigger margin (even an improbable one) until enough bettors take the other side.

Where can you find suckers to bet against? Hugely popular events like the upcoming Super Bowl, where an estimated 90% of bettors are unsophisticated, offer one opening. Even in regular-season play, the betting on NFL games is generally considered less sophisticated than betting on baseball, which has a large group of numbers-obsessed fans.

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The office is another good place to bet, provided you won't get fired for it. The Wharton School's Andrew Metrick found bettors in NCAA basketball tournament pools put too much on first seeds and local teams and too little on second and third seeds and out-of-towners.

2. Keep costs low

Nevada bookmakers last year kept only 4.5% of the pool in football, 5.5% in basketball and 3% in baseball. Betting on these sports is generally legal only in Nevada. While illegal bookies obviously don't report their holds, they appear to work on roughly similar percentages.

3. Take the long view

NFL bettors tend to overreact to teams' recent performances while ignoring their longer-term records, a 1997 study in the Journal of Finance found. So there's a profit opportunity for bettors willing to take a chance on teams that have struggled recently. Bettors also tend to overestimate the significance of games with lopsided scores and those with an unusual number of fumbles, interceptions or penalties. While turnovers and penalties are important -- they explain about 40 percent of the point difference between teams -- they reveal less than bettors believe about a team's prospects in future games.

4. Bet against the home team

A new study finds that local illegal bookies offer odds nearly identical to the legal odds in Las Vegas with two exceptions. First, local bookies often offer worse odds on the home team, reflecting the bias of local bettors. Some local bookies also use their knowledge of bettors' past wagers to price discriminate: If your bookie knows you would never bet against a certain team, he might feed you a sucker bet. One way to avoid such problems is to bet over the Internet. This is illegal or at least questionable, depending on where you live. But if you choose to do it anyway, Wolfers suggests checking out <http://www.sportsbook.com>, <http://www.willhill.com>, <http://www.centrebet.com> and <http://www.betfair.com>.

Watch your kneecaps ... names@post-gazette.com.

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