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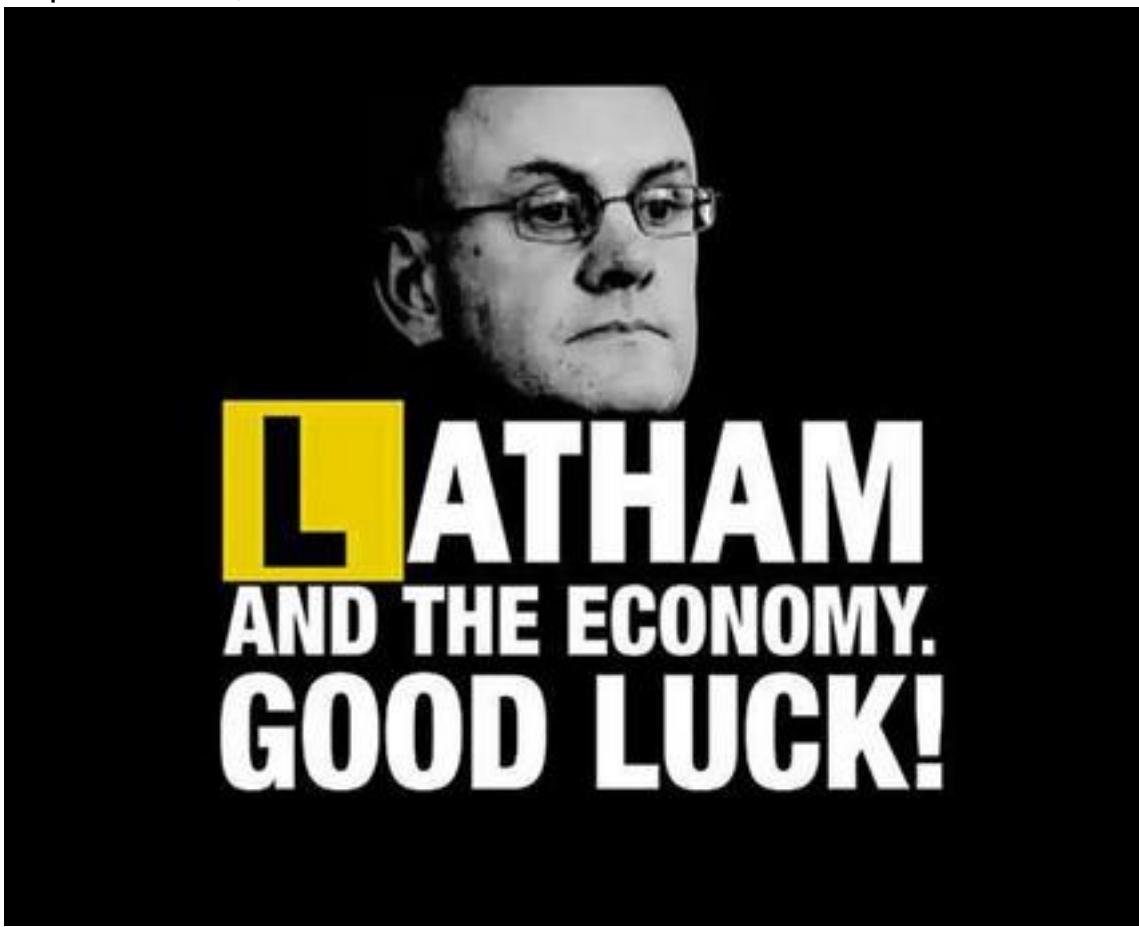Welcome **Michael** | edit details | member centre | logout

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Punters collectors with hot poll tips

By Josh Gordon
September 27, 2005

New Liberal TV television ad advertisement used during the elections.
Photo: *Supplied*

ECONOMISTS like to tell us to "follow the money". The concept has been used for years to predict everything from the price of dried fish to bonds.

For those in the know, it has been the best way to tip an election result. Economists Andrew Leigh, from the Australian National University, and Justin Wolfers, from the University of Pennsylvania, have concluded that when it comes to tipping election results, polls are volatile and inaccurate.

The bookies, on the other hand, have had a far better record. An analysis of data from Centrebet, International All Sports, Sporting Bet and SportsAcumen, presented to the Economic Society of Australia conference, showed betting markets confidently predicted a Coalition victory during the six-week campaign, even beating the educated guesses of political pundits by predicting an increased margin.

On election eve 2001, the markets assessed the Coalition as having a 60 per cent chance of winning, while on election eve last year the market predicted the Coalition had a 77 per cent change of victory.

"We believe that this probably reflects a view that the Coalition would increase their majority," the authors said.

While betting market predictions of a Coalition victory fluctuated between 54 and 77 per cent during the campaign, polling predictions swung wildly, variously placing the likelihood of a Coalition victory between 0.7 and 98.3 per cent.

Perhaps former Labor leader Mark Latham should have paid closer attention. A separate paper titled Trust me: It's Still the Economy by Sinclair Davidson, Clare Felvus and Rim Fry, from RMIT University, and Lisa Farrel, from the University of Melbourne, found that Mr Latham's decision to campaign on the theme of "trust" and his failure to tackle economic issues were doomed strategies.

The betting market analysis also showed that odds responded rapidly to campaign news and outside events such as the Jakarta bombing. In individual marginal seats, the punters got it right in 24 of 33 seats.

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Election results: the bookies know best
Cherelle Murphy
Australian Financial Review, **26 September 2005**

Polls are useless in predicting the outcomes of Australian elections but it would appear the bookies are on the money.

Economists Andrew Leigh from the Australian National University and Justin Wolfers from the University of Pennsylvania examined last October's national election to determine which methods best predicted its outcome.

Their research, to be presented today at the Economic Society of Australia's Annual Conference of Economists in Melbourne, showed betting markets predicted not only that John Howard would win with an increased majority, but also foresaw outcomes in three-quarters of the marginal seats.

Analysing data from Centrebet, International All Sports, Sporting Bet and SportsAcumen, Mr Wolfers found that the bookies' data responded quickly to campaign news as well as outside factors such as the Jakarta bombing in the 2004 campaign.

"These data also suggest that the Labor's Tasmania forestry announcement provided the coalition with a substantial boost," their research said. The polls on the other hand, were extremely volatile and should be used with caution, the authors said.

Using the polls published by ACNielsen, Galaxy, Roy Morgan and Newspoll, the academics found their predictive power to be very low, often favouring a Labor Party win.

Betting markets suggested the likelihood of a coalition win varied only from 54 per cent to 77 per cent, but the polls predictions of a coalition win during the campaign swung widely between 0.7 per cent and 98.3 per cent over the six-week period.

"The most striking aspect of this figure is the extreme volatility of the implied probability of a coalition victory suggested by the polls."

Dr Leigh and Dr Wolfers also analysed the models that try to predict election results based on economic robustness. They found these also predicted a Howard win.