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Gavyn Davies does the maths

Why you should always bet on favourites

Gavyn Davies
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[The Guardian](#)

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Tiger Woods was **7/2** on to win the Open before the final round started on Sunday, indicating that he was **78%** likely to win the tournament. These odds looked realistic, even generous, given that Woods had led on **11** occasions going into the final round of a major, and had won ... well all **11** of them, actually. Yet many punters were happy to back outsiders like Sergio Garcia or Ernie Els at **6/1**, and even the redoubtable golf coverage on BBC Radio 5 Live suggested to its listeners that Sod's Law indicated that Woods would not win. All of which just shows how little Sod knows about sports betting.

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A free-market economist would argue that the punters' winnings (or losses, to be more accurate, since, of course, the bookies are the only real winners) from backing favourites should, over the long term, be exactly the same as those from backing outsiders. Obviously, you win less if a favourite comes in, but this should be exactly offset by the fact that favourites win far more often than outsiders. So if you pick horses at random, and do it for long enough, you should not notice any systematic difference between your results on favourites or long shots.

Yet this is emphatically not what happens in the real world. There is in fact an extremely strong bias in favour of low-priced horses and against the outsiders. This was first noticed in the **1940s** in the US, and it has been confirmed in countless studies since then. The most comprehensive of these (by Erik Snowberg at Stanford, and Justin Wolfers at Wharton) examined the results of **6,301,016** races in America between **1992** and **2001**. They found that the average return on backing favourites was -**5.5%**, while the return on backing mid-priced horses from **3-1** to **15-1** was much worse, at **-18%**. Much worse still, the return from backing rank long shots (at **100-1** or more) was **-61%**. Why not just burn your money instead?

Faced with these results, and similar findings in British horseracing and football, economists have struggled to explain this apparently irrational behaviour by the punters. Surely they should refuse to back the long shots until the odds widen out, giving a fairer reflection of their genuine chances of winning the race? Yet they don't.

There seem to be **three** possible reasons for this aberrant behaviour. **One** is that most punters are not making a considered investment, but are just out to have some fun by backing long shots, without really considering whether they are likely to win. But if this were the case, you might think that professional gamblers might come along in sufficient size to iron out the relative odds. The **second** explanation is that some punters have inside knowledge about the likely performance of a horse, and the bookies try to prevent themselves from suffering outsize losses at the hands of these (crooked) punters by shortening the odds on the rank outsiders. And the **third**, which is favoured in recent research, is that the whole market really does have a misperception about risk, failing to appreciate that a major bias exists in the market.

Whatever the reason, Woods is a generous **4-1** favourite for next year's Open. Get your bets on now.

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