

1.6 Sports Betting

“Peyton Manning is out for sure.”

“What happened to the line? “

It is conceivable that the conversation above took place between quite a few people right before the first week of the NFL 2011-2012 season. News came out that Peyton won't be able to play. Peyton's injury is important for Fantasy football players too, but the line doesn't concern them. The line is quite important for the oddsmakers and the sports bettors, however.

The line opened at -2 for Colts against the Texans and later moved to -9. What does that mean? The line is a betting term and here is how it works. Let's say you pick the Texans to “cover the spread” (not only win but win by more than nine). One of the three things will happen:

Outcome of the Game	Outcome of the Bet
Texans not only win, but they win by more than nine	You win
Texans win, but win by less than nine	You lose
Texans lose	You lose

The whole concept is very similar to a dad racing his 4-yr old son but allowing him to start 30 yards ahead in a 100 yard race. Most dads would beat their 4-yr olds in a straight up race, but the additional distance makes it interesting and the winner less uncertain. You may gain ground on your son, but you may not be able to cover the whole 30 yards handicap. In fact, the spread betting is sometimes called handicap betting.

Spread betting is popular but it is not the only form of betting. There are others. How big is sports betting? In Vegas, the sports betting volume was close to \$3 billion in 2010 with close to \$100 million coming from betting on the Super Bowl. The amount that the sportsbooks keep is a little over 5% - approximately \$150 million.

Often times, sports betting and gambling are used interchangeably, but this is a dangerous start. While there are some similarities, there are also a couple important differences.

1. Sports betting does not conform to a statistical certainty. There are no guarantees that the bookmaker can't be beat. This doesn't mean that you can consistently beat the bookmaker. But it means that there may be the occasional opportunity to take advantage of the mispricing. With casino games, there is no such thing. (See also Chapter 7)
2. Sports betting creates incentives that may impact behavior in real life such as game fixing, bribes to players, point shaving etc. (See Chapter 1.8)
3. Legal and regulatory structure around gambling and sports betting are sometimes different. As an example, there are many states where you can legally gamble in a casino, but not bet on sports. There are also varying opinions on whether the laws treat gambling and sports betting the same. (See Chapter 1.9)