



# The Importance of Information in Wagering Markets

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## *Abstract*

This paper uses a large database spanning 45,000 races (8 years) of greyhound racing at Dairyland Greyhound Park to test for and examine the nature of the favorite-long shot bias. While the longest odds dogs are collectively found to be over-bet for the sample as a whole, if the data is divided into Pre-OTB (Off Track Betting) and Post-OTB groups, the bias is diminished after the introduction of OTB. Further, there are significant differences found in the sample between Maiden and non-Maiden races. Races with limited information on the participants, the Maiden races, reveal the traditional favorite-longshot bias, while Non-Maiden races, particularly in the post-OTB period, do not. Considering both the Pre and Post-OTB results and the Maiden and non-Maiden distinctions, it appears that the depth of the market and the availability of information play a pivotal role in the existence of the favorite-longshot bias. In thin markets or in markets without much information, an overbetting of the longshot is much more likely to exist as it may be a natural inclination of less-informed recreational gamblers.

Please contact the authors if you have any questions or wish to obtain a copy of the paper.