Comment on

"Investigating Allegations of Pointshaving in NCAA Basketball Using Actual Sportsbook Betting Percentages"

by

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DETU Working Paper 11-01

March 2011

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Overview:

The recent paper by Paul and Weinbach (2011) has two objectives. The first is to reject the conventional wisdom that sports books operate by balancing the action on the games. This is an important contribution and is similar to Diemer (2009A), which identifies two distinct types of sports books: The profit maximizing sports books and the exposure minimizing sports books. The second objective of Paul and Weinbach is to investigate point shaving. The following are comments directed toward the point shaving issue.

Incentive to Decrease the Risk of Detection:

Paul and Weinbach (2011) suggest that since the expected cost of shaving points is large, the expected benefits have to be equivalently large. The argument is that point shaving conspirators chasing large payoffs would result in detectable betting line movements (tracked and analyzed by Paul and Weinbach). What they fail to mention is that the conspirators have the ability to affect the risk of detection associated with point shaving. Bettors do this by not drawing attention to themselves. Betting large sums of money would draw attention since it would influence the lines, and is hence an avoided behavior.

Paul and Weinbach write "In both of these cases [Arizona State and Northwestern], it was Las Vegas sports books that exposed the scandals as an uncommon number of bets were placed on the underdogs." (p.8). These are the cautionary tales of conspirators that get too ambitious. To succeed the cheaters have to keep the size of the corruption small enough to prevent detection; small enough to not move the point spreads, thus alerting observers. In other words the probability of detection is endogenous.

Logistics:

Setting aside the issue of the endogeneity of the probability of detection, the Paul and Weinbach research presumes the funds are moved via one of (or a combination of) four sports books: BetUS.com, CaribSports.com, SportBet.com, and Sportsbook.com. Sports books prevent asymmetric information from affecting their operation by imposing maximum wager constraints. The maximum wagers for the above mentioned sites are from $3,000 to $5,000.[1] Even if we envision multiple accounts opened up to take advantage of these maximum wagers, the number of accounts needed by the conspiracy to move

[1] No specific value was given for CaribSports.com but they specify that they could refuse any wager at any time, presumably for these reasons.

the line just one point in the aggregate, a movement detectable by observers, seems unrealistic. However, even if this was the case, the provisions in the Port Security Act of 2006 make moving money into internet accounts by United States[2] financial institutions very difficult.[3]

Incomplete Treatment of Previous Corruption Investigations:

Paul and Weinbach fail to highlight the entire scope of the previous literature as it pertains to point shaving. They point out that "Evidence of inflated betting lines for big favorites has been identified across betting markets…" (p7). They go on to say that none of these papers "…suggests point shaving, but the point shaving explanation is logically consistent as an explanation for those earlier findings as well" (p7). This might be the case if not for the additional findings by the recent corruption investigations [Wolfers (2006); Diemer (2009B)] that focus on the statistical evidence that at the same time the favorites are involved in too many blowouts. Diemer (2009B) takes it a step further and shows that the point spread is affecting game outcomes in NFL regular season games. We all see the point spread as a function of expected game outcomes, but in no innocent environment should the point spread affect the expected game outcome.

Methodology:

The authors use percentages of bets on either side of the game as their tool to show point shaving does not exist. However it is the volume of the wagers that is needed, not the bet percentage. If point shaving were to occur the authors assert that the large percentage of bets on the underdogs is suggestive of point shaving. This is just the opposite of what we should see. If there was point shaving occurring, and there is some element of balancing the action (even if this was not the primary objective as the first half of the Paul and Weinbach paper implies we would expect to see a larger percentage of bets placed on the favorites (each wager with relatively low volume) and smaller bet percentage on the underdogs (each with large volume). The end result is the greater the bet percentage on the favorites, the greater the suspicion. Numbers on volume are very difficult to find in this line of research, but bet percentage is not a suitable replacement for this data.

Closing:

Paul and Weinbach's most recent research is split into two sections. The first section addresses an intriguing void in the literature by offering evidence that suggests the internet sports books do not balance bet percentages. Nevertheless, the investigation into point shaving advanced primarily by percentages of bets placed on one side of the line or the other leaves us with more questions than answers. Notably, the probability of detection should be treated as an endogenous variable. This

[2] The United States presumably would be the location of the conspirators since all sports mentioned in the paper are US sports thus the money would have to eventually flow back to the United States).

[3] This is not even to mention getting any large amount of money out of an internet sports book which would prove problematic since they are not a regulated industry. In fact, "Sports Book Review" grades many of these sites as poor for this exact reason.

greatly alters the perspective that any point shaving conspiracy would be of a large scale. The logistics of following through with a conspiracy via the sports books used in Paul and Weinbach's analysis appear unrealistic. Subtle, yet important recent contributions to the point shaving literature have been omitted. The use of bet percentages instead of betting volume renders the conclusions suspect.

Sources:

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