

EXPECTED RETURN ON INVESTMENT AND PARLAY BETTING

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ABSTRACT

Sports betting has grown more than two hundred fold since the early 1970s, partially because of a reduction in the Federal excise tax on betting from 10% to 0.25%. Due to the importance of gambling to the United States economy and a genuine interest in sports, researchers have studied strategies for winning and the efficiency of the market. This paper considers the rationality of betting parlays, which have been referred to as the “sucker’s bet” and is limited to football wagering. In general, we find that a bettor who can select with at least a break-even probability (.5238) on several games has a higher expected return on investment by investing in parlay wagers than multiple single game wagers.

Keywords: Parlay; return on investment; sports betting markets.