September 23, 2022

SUBMITTED VIA CFTC PORTAL
Secretary of the Commission Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Dear Chairman and Commissioners of the U.S. Commodity Futures Trading Commission (CFTC):

I write in support of the Commission approving Kalshi's proposal for electoral prediction markets.

My name is Daniel Gorfine, and I am the former chief innovation officer and director, LabCFTC at the U.S. CFTC. I am the founder and CEO of Gattaca Horizons, co-founder of the Digital Dollar Project (DDP), and adjunct professor at the Georgetown University Law Center.

The Commission is receiving many letters in support of Kalshi's application from esteemed academics, economists and leaders, including Jason Furman, former Chairman of the Council of Economic Advisers under President Obama.[1] I agree with the arguments made by Mr. Furman and others in terms of the informational and hedging value provided by prediction markets, including with respect to election outcomes. Additionally, contracts regarding generalized election outcomes that are well-regulated with proper contract limits should mitigate any perceived risks related to election integrity.

Rather than repeat what the Commission no doubt will hear from many regarding the value, efficiency, and accuracy of election prediction markets, I will focus on two discrete items worth additional consideration.

The first is that the Internet has created new public forums whereby individuals can exchange value and information seamlessly. We have seen the proliferation of social media, e-commerce and related consumer review platforms, forums that allow discussion on a range of topics, and even crowdfunding platforms for raising or investing money. Underpinning much of this democratization is the hope that there is "wisdom in the crowd."

Unfortunately, as we have seen far too often, there are a range of motivations and incentives that may result in the propagation of misinformation across Internet and mobile platforms, whether by way of fraudulent reviews, fake news, poor-quality polling, or fraudulent postings intended to manipulate markets.

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[1] https://comments.cftc.gov/PublicComments/ViewComment.aspx?ID=69708&GUID=264324ac-75cb-4c97-9d45-62baa1877335.

One solution that can help solve many of these challenges is requiring people to "put their money where their mouth is." In other words, informational models that require contributors to have "skin in the game" when opining or contributing to public discussion is a great way to disincentivize the propagation of misinformation. The overall integrity of such informational exchange should accordingly yield cleaner and more accurate information across whatever subject is being considered.

Against this backdrop, election prediction markets can cut through the noise of those peddling misinformation regarding important election events that undoubtedly impact the American economy and individual economic planning. The information resulting from such markets can be used to counter or check other sources of information, and provide individuals, researchers, market participants, and policymakers another key data point when making decisions. This value should not be underestimated.

A second consideration is that it is always preferable to channel activity with societal benefit into well-regulated constructs rather than suppressing such activity and driving it into the shadows. More specifically, demand for election prediction markets will likely spill into unregulated markets or offshore marketplaces outside the purview of U.S. regulators, as we have already seen. For this reason, it would be far better policy to subject such activity to oversight, monitor and measure outcomes, and then tailor regulations to solve for any risks that are identified.

I thank the Commission for the opportunity to provide comment on this issue and urge approval of what would be a beneficial innovation for markets, hedging, and information gathering.

Sincerely,

Daniel Gorfine