

From: Geoff Ralston
Organization(s): Y Combinator

Comment No: 69700
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Comment Text:

Dear Commissioners,

I am writing on behalf of Y Combinator, the world's leading startup accelerator. Since 2005 we've invested in category defining companies such as Stripe, Airbnb, Doordash, Coinbase, Dropbox. In this case, we wish to note our support for the decision to allow Kalshi, another Y Combinator company, to create Congressional Control Contracts predicting various outcomes in upcoming political races.

Our goal is to back companies that we believe can make a significant and positive impact on the world by creating products that solve real problems. We believe that entrepreneurial innovation drives America's economy and creates enormous value for our country. We also believe Kalshi's innovative approach creates value for both its users and the economy and we urge you to support these contracts which will, we believe, only add to election integrity.

Perhaps there are concerns that such contracts would cause individuals to change their votes. These concerns seem, to us, to be unrealistic. Similar markets have been running in countries such as Britain and Ireland for years with no evidence to my knowledge of such impact. Also, it is quite clear that elections already represent economic exposure for individuals. These contracts will be incremental at most to that exposure

A CFTC-regulated exchange would require extensive KYC, anti-AML, anti-insider trading and surveillance technologies to mitigate any potential threats. For instance, No reasonable exchange would allow a politician running for office to trade on these contracts, and would take countermeasures to prevent other ranking campaign officials from trading as well.

Therefore, Instead of being a threat to democracy, it seems to me far more likely that Kalshi contracts would help support our institutions. Over the last decade, we have seen a surge in inaccurate polling and misinformation. The beauty of a prediction market such as the one Kalshi is proposing is that it creates an incentive to be right. By combining the efforts of tens of thousands of highly politically informed individuals into a single marketplace, it will provide the best data-points available for media, businesses and private individuals to make decisions about the election. If you're a journalist and want to report on the state of the race, a prediction market will be more accurate than asking a pundit or an 'expert'. If you're a businessperson trying to make a decision about whether to invest and that depends on whether one party or another wins power, a prediction market will be more accurate than asking your analysts. And if you're a private citizen and you just want to be informed about the nation around you, a prediction market will be far more accurate than turning on the nightly news.

History has shown that economies fall behind when regulators make decisions out of unfounded fear or because of arbitrary precedent that was set based on a specific and then contemporary set of circumstances. And the result is consistent: the activity goes to unregulated markets, with no customer protections and no umbrella protections.

For all of these reasons, we urge you to consider the significant uses for these contracts, and to approve the contracts.

Sincerely,
Geoff Ralston