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Comment Text:

Having read many of the other responses and the Commission's questions, I'd like to make an additional comment in support of the proposed markets, specifically allaying concerns about any influence on the elections themselves.

First, in response to the Commission's inquiry, it's extremely unlikely that any insider would be in possession of information that could tip the balance of control for an entire chamber of Congress, which is the underlying for the proposed markets. Any important race is going to be covered by substantial public polling in addition to private polling (and most private polling gets shared with professional handicappers like the Cook Political Report anyway). Regardless, I would recommend that the commission ask Kalshi to enforce its existing ban on insiders in these contracts against all campaign workers, candidates, election workers from precinct volunteers up through secretaries of state, and any and all employees of political action committees.

Second, it's very unlikely the market price itself can influence the opinion of the electorate. Research on the influence of the "bandwagon effect" in political science is conflicting (see https://fivethirtyeight.com/features/does-knowing-whom-others-might-vote-for-change-whom-youll-vote-for/) and, in any event, there's no evidence that markets are the source of such effects (as opposed to the general tone of media coverage, polling, and so on). If anything, markets measure the gestalt of public opinion. Further, there's no way to discern a net effect of the market's presence of an undecided voter's opinion - one such voter may decide to go with the favorite while another goes for the underdog and each could take a position contrary to their vote or aligned with it.

Lastly, some other commenters have raised concerns about how the markets might influence voter participation in the democratic process as a whole, with the intimation that they represent "more money in politics" as one response put it. In this worldview, election outcomes are influenced primarily by campaigns which are funded in large part by a small pool of entities controlling a large amount of money (super-PACs, billionaire's toy funds, etc) and that small-dollar donors can rarely compete given considerable relative cost to each individual donor's finances.

Accepting this view, which seems reasonably accurate, the proposed markets can actually incentivize more small-dollar participation in campaign donations. There is a straightforward hedging use case here. Personally, I've often been reluctant to donate to a political campaign or party because I'm not really sure my money will make a difference, and if it doesn't, I'm just out that money for nothing. The markets allow me to hedge that exposure very simply.

To make this concrete, suppose I have $100 in discretionary funds that I could use to donate to the Democratic Congressional Campaign Committee (DCCC) to aid their efforts for the Democrats to hold the House in the upcoming midterms. However, I'm concerned the Democrats are going to lose, as the existing markets suggest they only have a 30% chance or so of retaining control. If I donate my $100, I'm likely to lose all of it and not get my desired outcome, and thus I'd rather just spend it on something else. However, with the proposed markets by Kalshi, I could instead hedge a donation with a position on the market. I could donate $30 to the DCCC and spend $70 at 70% odds on the Republicans to win the House ($70 at 70% odds means 100 shares at 70c apiece for a payout of $100 if the Republicans win). The DCCC wins because they get an additional $30 they wouldn't have otherwise which they can spend to help the Democrats win. If the Democrats win, I lose my $70 bet on the Republicans but I'm happy because my $30 went to good use. If the Democrats do lose, I recover the $30 I donated to the DCCC because my $70 position on the Republicans will pay out for $100.

[Please note as well that the exact same strategy would be available to someone on the fence about donating to the Republican National Committee. In fact, they could donate $70 to the RNC while spending $30 to purchase 100 shares of the Democrats to win the House. If Republicans win, their $70 was well-spent and they are out $100 total. If Democrats win, their 100 shares will be worth $100 and they break even. This strategy is completely agnostic to the market price, if the market gives Democrats only 20%, then the Democratic supporter can donate $20 to the DCCC and hedge with $80 in the market, and the Republican supporter can do the inverse.]

I hope it's clear from this example that the proposed markets would actually encourage small-dollar political donations and therefore (depending on how widespread this practice becomes) could meaningfully increase civic engagement in our democracy.