

**Comment Text:**

Dear CFTC,

I am writing in support of Kalshi's submission to the CFTC regarding prediction markets on elections. I have previously been a quantitative trader with Jane Street Capital, and I have been a long-time supporter of and participant in prediction markets. I am currently writing at Don't Worry About the Vase where a major topic is forecasting events, in particular Covid-19. I am one of the world's leading experts in prediction market construction and design, and have consulted for multiple prediction market companies.

I believe that well-functioning markets on elections are crucial, and that they should be granted legal status.

Prediction markets are our best tool for understanding many aspects of our world. Unlike many financial markets, the market will resolve to a definite value within a limited time frame, so they reward being right about what will happen rather than trying to anticipate market trends. Losses are bounded, so you can stay solvent longer than the market can stay crazy. This rapid feedback and the potential to fully realize one's edge attracts smart money to correct mistakes.

This is how we live in a world where we can use prediction markets to get access to excellent probabilistic knowledge of which scientific papers will replicate, or the outcomes of sporting events, or the outcome of an election. All we need is a prediction market with broad participation.

In many prior elections, prediction markets were by far the best tool for knowing the current state of the race and the likelihood of different outcomes. This was for example greatly helpful to stock market investors in 2016, to separate out the impact of changes in the presidential race from other drivers of stock prices.

Not only do I reject the CFTC's suggestion that these markets might compromise election integrity, I would claim the exact opposite. Having prediction markets preserves election integrity. When prediction markets are greatly surprised by an outcome, or are predicting an outcome in a way that does not reflect what a free and fair outcome would look like, that is an alert that integrity is under threat.

In 2020, on election night, prediction markets acted as an important check against attempts to prematurely declare victory. As things progressed, they sent a strong signal that changes were not the result of fraudulent changes but rather predictable from the distribution of ballots and how and when they were counted. They also served, after the outcome was decided, as a canary in the coal mine that there would be continued challenges to the integrity of the election, giving us a warning that something like January 6 was possible.

They continue, today, to alert us to threats to election integrity. If someone wants to profit from manipulating an election, there already exist many ways to get indirect exposure to elections synthetically via other markets that would exceed the exposure plausibly available directly in election markets at any reasonable price.

Attempting to manipulate election markets to distort public perception would end in failure. Citadel LLC and others have expressed a clear willingness to take large positions if someone moves the market to an unnatural price. It would be exponentially expensive, likely costing billions, to cause a persistent and large jump in a regulated and legal prediction market on a major American election.

Also, to the extent this is a worry, Kalshi's proposal makes this a smaller worry because prediction markets already exist overseas, and Kalshi's market would be even more robust to this attack.

Prediction market information also protects the public from media bias and media attempts to distort the state of the race. The best media coverage of recent elections has fully integrated existing prediction market information, and is far better for it. Other news coverage ignored such predictions, both before and on election night, and ended up spreading misinformation.

Election markets not only do not harm the integrity of the political process, they are vital to the integrity of the political process. They should be embraced by US regulators.