

C A M P A I G N F O R

ACCOUNTABILITY

July 24, 2023

Chairman Rostin Behnam
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

RE: Campaign for Accountability comment on KalshiEX, LLC's proposed futures contracts for election outcomes (Release No. 8728-23)

Dear Chairman Behnam and Commissioners,

Campaign for Accountability is writing to express opposition to KalshiEX, LLC's (Kalshi) proposed contracts that would effectively allow betting on which political party will control the chambers of the U.S. Congress. Despite some commenters' assertions that allowing such contracts would primarily be an aid to academic study, it is undeniable that the question at issue is whether or not to allow widespread gambling on the outcome of U.S. elections. CFTC's answer in the affirmative would unnecessarily introduce and likely exacerbate myriad harmful incentives around US elections.

As an organization dedicated to exposing misconduct in public life, Campaign for Accountability has a great deal of experience examining situations where financial incentives promote behavior contrary to the public good. We fear that giving a green light to betting on the outcome of U.S. elections would be one of these situations.

Currently, the people most incentivized to advocate for a certain election outcome are the citizens that make up that election's constituency – at least, that is how it should be. In recent years, we have seen foreign actors stage large-scale attempts to influence the outcomes of U.S. elections when they feel that one outcome may better serve their own interests. We've also seen dark money operations overwhelm smaller races with massive contributions that weaken the power of individual constituents.

While we should work to minimize these outside influences, they can at least be partially mitigated through an understanding of the platforms and policies that special interests are attempting to shape via their preferred candidate. In contrast, individuals allowed to gamble on election outcomes would be incentivized to influence races *without any consideration of what officials will do once elected*. While this incentive does not make American citizens worse off by necessity, it promotes the idea of "electoral victory as end result" that undoubtably draws us away from the aspirations of representative democracy.

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Further, condoning this sort of cold financial calculus around election outcomes entrenches a growing, cynical “gamification” of American politics. Already, political cable news shows strike a tone eerily similar to those covering sectors of American society which are more nakedly concerned with “winners and losers.” Further injecting gambling into politics would exacerbate this. People watch ESPN before placing wagers on sports betting apps, CNBC before making stock trades, and might soon be tuning into CNN or MSNBC before betting on election outcomes.

We hope that the CFTC shares our view that such a reality would be grim, and that the depressing effects that it would have on good-faith civic engagement would overshadow any potential benefits. Reading through public comments, we anticipate you will consider among these benefits assertions from economists and academics that contracts like those proposed by Kalshi will provide interesting datasets which could be used to better forecast human behavior. We insist that, while an emerging market might provide fascinating material for academic study, the behavior encouraged by that market can still be deeply contrary to the public’s best interests.

Sincerely,

A handwritten signature in black ink that reads "Michelle Koppersmith". The signature is written in a cursive, flowing style.

Michelle Koppersmith
Executive Director
Campaign for Accountability