

Dear CFTC,

I am writing to express my strong opposition to the proposed ban on election event contracts and to highlight the crucial price basing benefits these markets provide. The CFTC's proposal fails to recognize the significant role these contracts play in price discovery and information aggregation, which are essential functions for efficient markets and informed decision-making across various sectors of the economy. Price basing, or price discovery, is a fundamental process by which market participants determine the fair value of an asset or event outcome through their collective actions. Election event contracts serve as a vital mechanism for price basing in the political and policy spheres, offering numerous benefits that should not be overlooked:

1. Enhanced Information Aggregation:

Election markets aggregate diverse information from a wide range of participants, including political analysts, economists, and informed citizens. This collective wisdom often produces more accurate forecasts than traditional polling methods or individual expert opinions. By banning these markets, the CFTC would be eliminating a valuable source of information that helps businesses, policymakers, and the public make more informed decisions.

2. Real-Time Pricing of Political Risk:

These markets provide real-time, quantifiable assessments of political risks and probabilities. This dynamic pricing mechanism allows market participants to quickly incorporate new information, resulting in more efficient and responsive markets. For businesses and investors, this means having access to up-to-date risk assessments that can inform strategic decision-making.

3. Improved Resource Allocation:

Accurate price signals from election markets enable more efficient allocation of resources across the economy. Companies can better plan investments, hiring decisions, and strategic initiatives based on the probabilities of different policy outcomes. This leads to improved economic efficiency and reduced waste of resources due to political uncertainty.

4. Enhanced Market Efficiency:

The price basing function of election markets contributes to overall market efficiency by reducing information asymmetries. When information is more evenly distributed among market participants, it leads to fairer and more efficient markets, benefiting all stakeholders.

5. Valuable Research Tool:

Election markets provide a rich data source for academic researchers studying political behavior, public opinion dynamics, and the interaction between politics

and financial markets. Banning these contracts would hinder important research that contributes to our understanding of democratic processes and their economic impacts.

6. Improved Policy Forecasting:

The prices in election markets can serve as valuable inputs for policy forecasting models. Government agencies, think tanks, and businesses rely on accurate policy forecasts to plan for the future. Eliminating election contracts would remove a key data point for these forecasts, potentially reducing their accuracy and reliability.

7. Increased Transparency in Democratic Processes:

By providing a clear, quantifiable measure of electoral probabilities, these markets enhance transparency in the democratic process. This can help combat misinformation and provide a reality check against potentially biased or inaccurate polling data.

8. Early Warning System for Political Shifts:

The price movements in election markets can serve as an early warning system for potential political shifts. This allows businesses, investors, and policymakers to prepare for and adapt to changing political landscapes more effectively.

9. Improved Risk Management:

The price basing function of election markets allows for more sophisticated risk management strategies. Businesses and investors can use the information from these markets to develop more nuanced hedging strategies against political risks.

10. Facilitation of Long-Term Planning:

By providing insights into potential future policy directions, election markets enable businesses and organizations to engage in more effective long-term planning. This is particularly valuable for industries with long investment horizons, such as energy or infrastructure.

11. Enhancement of Public Discourse:

The quantifiable nature of election market prices can elevate the quality of public discourse around elections and policy issues. It provides a common reference point for discussions, potentially leading to more substantive debates on the merits of different policy proposals.

12. Complement to Traditional Forecasting Methods:

Election markets serve as a valuable complement to traditional forecasting methods such as polls and expert analysis. The combination of these different approaches can lead to more robust and accurate predictions of electoral outcomes and their potential impacts.

In conclusion, the price basing benefits of election event contracts are substantial and wide-ranging. These markets play a crucial role in information aggregation, risk assessment, and efficient resource allocation across the economy. By proposing to ban these contracts, the CFTC risks eliminating a valuable tool that enhances market efficiency, improves decision-making, and contributes to a more informed and transparent democratic process.

I strongly urge the Commission to reconsider this proposal and instead work towards a regulatory framework that preserves the important price basing functions of election markets while addressing any legitimate concerns about market integrity. The CFTC should recognize that these markets serve a valid economic purpose and contribute significantly to the efficiency and effectiveness of our financial and political systems.

Thank you for your consideration of these important points.