DARTMOUTH

Eric Zitzewitz
Professor of Economics
Hinman Box 6106
Hanover, New Hampshire 03755
ericz@dartmouth.edu

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To the Commodity Futures Trading Commission:

I am an economics professor at Dartmouth who has been studying prediction markets for over two decades.

I have consistently believed that prediction markets have extraordinary potential to provide useful information to assist in making economic and policy decisions.[1] Individuals and businesses face myriad uncertainties when making investment and other decisions, including about the political, economic, and policy environment. Prediction markets provide estimates of future event probabilities that aggregate the information and opinions of many individuals to the extent they are willing to back their opinions with money. Research has consistently shown that aggregations of information and opinion are better than most if not all individuals' assessments.

The post-2024 policy environment has taken the shackles off prediction markets in the United States, and we are finally seeing the realization of some of this potential. While much of the new activity is in sports-related prediction markets, these markets mostly provide an arguably more consumer-friendly venue for betting that would have occurred anyway. Moreover, sports-related prediction markets likely help attract liquidity to markets on more economically relevant topics, such as elections, geopolitical events, financial outcomes, climate change, and the path of future technology.

There have been some controversies recently about insider trading and outcome manipulation in prediction markets. For example, a soldier may have put his colleagues at risk by trading with insider knowledge of an operation in Venezuela, and someone may have tampered with a weather station at an airport to manipulate the outcome of a contract on the daily high temperature.[2] Some combination of regulators, the exchanges, and traders themselves may decide that certain market topics pose more potential problems than they are worth. But these potential issues should be kept in perspective – the vast majority of economically useful prediction markets do not suffer from them.

Sincerely,



[1] See, e.g., Wolfers, Justin and Eric Zitzewitz, "Prediction Markets," Journal of Economic Perspectives, 2004, Arrow, Kenneth, et. al., "The Promise of Prediction Markets," Science, 2008, Zitzewitz, Eric, "The Folly of Making Prediction Markets like Intrade Illegal, Reuters, 2012, and comments on applications to the CFTC by Nadex (2012) and Kalshi (2022) to operate political prediction markets.

[2] See https://www.justice.gov/opa/pr/us-soldier-charged-using-classified-information-profit-prediction-market-bets and https://www.npr.org/2026/04/23/nx-s1-5797876/polymarket-paris-weather-bet, respectively.

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