What’s Going On?  
  
  
This project is about Prediction Markets (PMs). Here I will try to very quickly state: What they are, why they’re so great, why (if they are so great) they haven’t already revolutionized our lives and organizations, and how we can change that.

What are PMs?

Prediction Markets are prices for special shares. Whereas traditional shares entitle you to a slice of a corporation’s profits, these shares entitle you to either $1[[1]](#footnote-1) or $0 at a certain point in time. The trick is that these shares are released in groups, typically of 2, and only one group will be worth any money. The winning group is determined by an event which occurs in reality. The current market price of these shares can then be interpreted as the probability of the event taking place.

For example, a prediction market security might reward a dollar if Hillary Clinton is elected President in 2016, such that an individual who thinks that she has a 70% chance of being elected should be willing to pay up to 70 cents for such a security.

YouTube links

(4 min intro) <https://www.youtube.com/watch?v=N_DWqeR9jqc>  
(8 min news story) <https://www.youtube.com/watch?v=4Fkv1MAkZEw>

Why are they important?

Human brain evolved intelligence for political reasons (form/betray coalitions, conspire against rivals, steal/protect resources, enforce complex behaviors/norms, )

Politics vs. Reality

Reality Works! (Science, technology, engineering improving our wealth, health, entertainment). Reality is the best!

Are they really accurate?

Essentially, PMs reward you for your update to a forecast. Your money is on the line: if you are right PMs help you and if you are wrong PMs hurt you. You get this reward/punishment regardless of anything done by other individuals. Therefore, there is a direct economic incentive for any source of inaccuracy to be eliminated as quickly as possible. PMs can and will absorb the strengths of other forecast methods including surveys, polls, expert opinion, simulation, statistical modeling, etc. In the world of politics, people often say what they want other to hear, not what they really believe. PMs encourage the opposite.

What’s holding us back?

<http://www.overcomingbias.com/2013/07/why-do-bets-look-bad.html>

How can software determine reality among liars?

What’s so hard? We already decide on what’s true all by ourselves (or we think we do). I just tried to copy that process into a vote-weighing “recipe”.

1. Or any amount…call this “the unit price”. [↑](#footnote-ref-1)