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Table 1: Contract Types: Estimating Uncertain Quantities or Probabilities

Contract	Details	Example	Reveals market expectation of...	More general application
Binary option	Contract costs \$ p Pays \$1 if and only if event x occurs.	Event x : George Bush wins the popular vote	Probability that event y occurs, $p(x)$.	Defining many events, x_1, x_2, \dots, x_n reveals probability distribution $F(x)$. Contract pays some function of x : $\$g(x)$.
Index futures	Contract pays \$ x .	Contract pays \$1 for every percentage point of the popular vote won by George Bush	Mean value of outcome x : $E[x]$	Reveals specific moments, $E[g(x)]$
Spread betting	Contract costs \$1 Pays \$2 if $x > x^*$ Pays \$0 otherwise. Bid according to the value of x^* .	Contract pays even money if Bush wins more than x^* % of the popular vote.	Median value of outcome, x .	\$1 contract pays $\$(1/q)$ if $x > x^*$. Reveals specific quantile, $F_{1-q}(x)$.

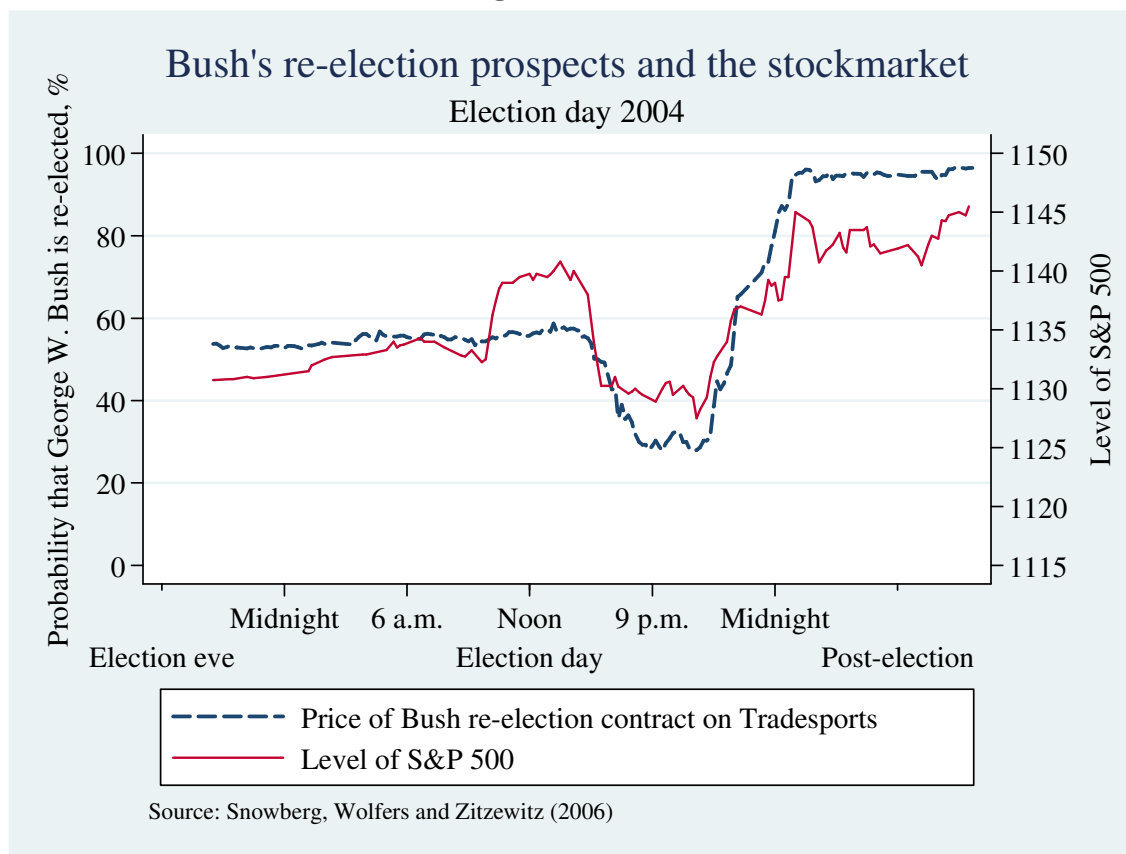
Figure 1: 2004 Election

Figure 2

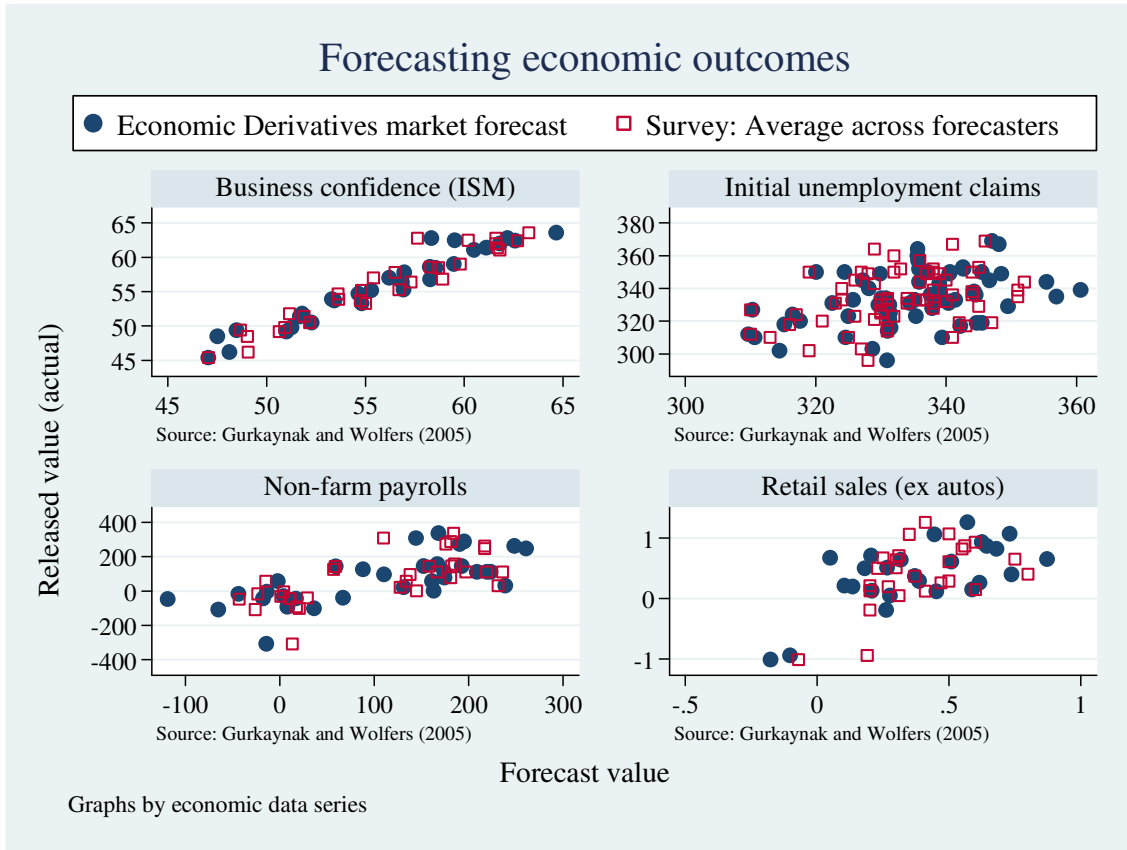


Figure 3

