Prediction of Prediction Markets

How to use prediction of prediction markets to stimulate the market (in other words, how to hire Google) to create oracles for us.

Prediction Markets

- A *prediction market* is a market of some assets *(conditional tokens)* that can be exchanged for some valuable asset (*collateral*) in a given time of the future only in the case if a prediction comes true.

- The traders tend to buy a conditional token if they expect that an event happens in the future.

- So, prediction markets aim to "transfer" value from the future to the present!

Use Cases

- Prediction markets would be a good tool to determine salaries of scientists and free software developers: make salary determined by the predicted "score" (such as the number of citations of works of a scientist) in the future (like 100 years ahead).

- A promising student could receive the same salary as an established Nobel prize winner.

- We account for future donations for science and free software during 100 years. That could be huge salaries for best scientists and free software developers.
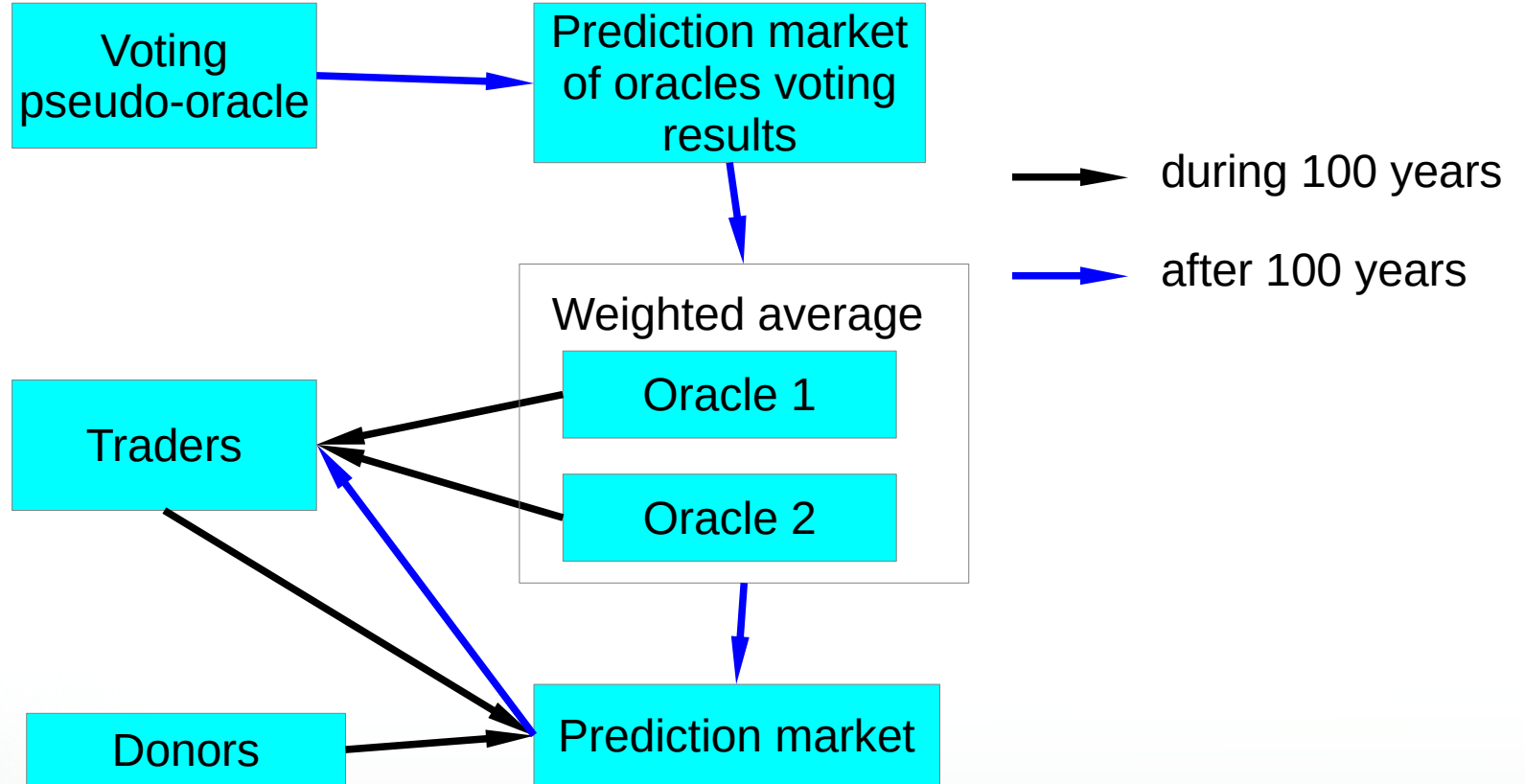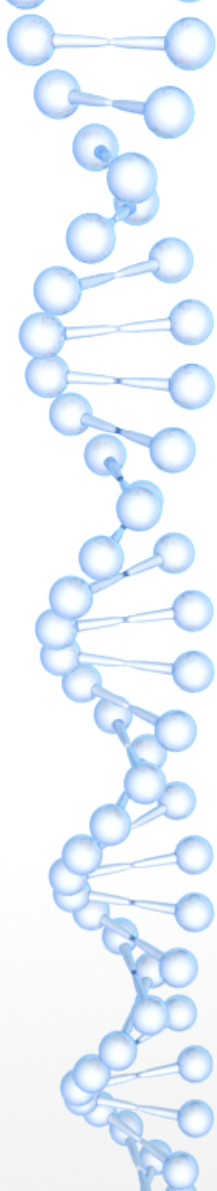
The Trouble

- The smart contracts are not very hard to implement. There is Gnosis.io a system of prediction markets in blockchain. (Well, it needs to be improved before we can use it.)

- The big trouble is that somebody needs to pay to develop and run the oracles for the future events. I'd like Google to do it for me, but I don't even know their email.

The Solution

- If we want Google to do it for us, we need to pay Google.

- We need to create a free market that will pay to somebody who will do the work.

- We create a prediction market of prediction markets. To this market we allocate a fraction of the scientists's salaries to oracle creators.

- To value the value of the oracles, we set a future (after 100 years) vote. The oracle creator who gets more votes gets a bigger fraction. Google will receive some money if they start to create a good oracle.

Voting pseudo-oracle → Prediction market of oracles voting results

during 100 years

after 100 years

Weighted average
Oracle 1
Oracle 2

Traders

Donors

Prediction market

Open Questions

- What should be the voting system? (apparently, voting should be able to upgrade the voting contract itself)

- What is a good way to determine the fraction of the profit allocated to oracle creators?

  - We could assign a fixed percent when setting up the system, but that's too arbitrary.

  - It can be decided by a 100 years later voting results, but will modern businesses trust that 100 years later voting will give them a good share?

Further reading

The detailed mathematical model and more in
my free e-book:
"Social Crypto Libertarianism" (Not Capital)
https://leanpub.com/socialcrypto