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secretary

From: joshua.c.hall@gmail.com on behalf of Joshua Hall [halljc@beloit.edu]
Sent: Tuesday, May 13, 2008 2:11 PM
To: secretary
Subject: Re: Concept Release on the Appropriate Regulatory Treatment of Event Contracts

**Received CFTC
Records Section**
5/14/08

May 13, 2008

Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

COMMENT

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Re: Concept Release on the Appropriate Regulation of Event Contracts

Dear Commissioners and Secretary,

CFTC Acting Chairman Walt Lukken asks, "What public purpose is served in the oversight of these markets and what differentiates these markets from pure gambling outside the CFTC's jurisdiction?"

My comment focuses only on the first part of the Acting Chairman's statement. It is my understanding that the CFTC is asking for comment because of outside requests for clarification as to whether "event contracts" are legal, not because of any documented harm (or even potential harm) to citizens of the United States. Given that in the absence of non-pecuniary third-party effects voluntary market exchange makes all parties to the exchange better off, it is unclear how regulation of these voluntary markets (beyond the current laws and regulations designed to protect consumers against fraud and theft) would make anyone better off.

New markets, especially financial ones, often seem scary to outsiders, but this fear should not motivate your decision as it motivated the Bush Administration's ending of the Policy Analysis Market in 2003 (Hanson 2007). For a good overview of the academic research on these types of markets – prediction markets – see Hanson (2006a; 2006b). The information provided through these markets would appear to be welfare enhancing based on what we know about the importance of information to wealth creation. Limiting the creation of these markets because of speculative and unfounded fears is ill-advised.

Sincerely,

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* For identification purposes only. The views presented here are mine and do not necessarily represent the views of Beloit College.

5/13/2008

References

Hanson, Robert. 2006a. "Decision Markets for Policy Advice. Promoting the General Welfare: American Democracy and the Political Economy of Government Performance," 151-173, ed. Eric Patashnik and Alan Gerber, Brookings Institution Press, November 2006.

Hanson, Robert. 2006b. "Foul Play in Information Markets. Information Markets: A New Way of Making Decisions in the Public and Private Sectors," 126-141, ed. Bob Hahn and Paul Tetlock, AEI Spring Press, May 2006.

Hanson, Robin. 2007. "The Policy Analysis Market: A Thwarted Experiment in the Use of Prediction Markets for Public Policy." *Innovations* 2(3): 73-88.