

# THE AUSTRALIAN NATIONAL UNIVERSITY

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Productivity Commission Gambling Inquiry  
GPO Box 1428  
Canberra City ACT 2601

Dear Commissioners Banks, Fitzgerald and Sylvan,

I am an economist at the Australian National University. One of the issues that I research is the use of prediction markets (aka betting markets) as a tool for forecasting elections.

While I found much to like in the draft report, I was surprised that the PC did not mention the special role that prediction markets play in providing information about future events.

We now have good evidence that election betting markets are significantly more accurate than other forecasting tools, such as opinion polls. There is also some evidence that economic prediction markets (eg. on future unemployment rates) are more accurate than expert forecasts.

This has important implications for gambling regulation: if non-gamblers can learn from watching prediction market odds, this would suggest that there is a public benefit from less stringent regulation of prediction markets. So far as I can see, this issue does not arise in your discussion about the optimal regulation of gambling.

I have enclosed a copy of an article that I have written on this topic (coauthored with Justin Wolfers), and would be happy to discuss this issue further if you wish.

Yours sincerely,

Andrew Leigh.

<http://econrssh.anu.edu.au/~aleigh/pdf/PredictionMarketsBusiness.pdf>