

For “Prediction Markets Are an Answer to Democracy’s Flaws” by Alex Pinheiro

1. Caplan, Bryan Douglas. *The Myth of the Rational Voter Why Democracies Choose Bad Policies*. Princeton, NJ: Princeton Univ. Press, 2008.
2. You may wonder how such markets could even be rated on the “accuracy” of a probability statement like “there’s a 70% chance of rain tomorrow.” Tomorrow only happens once -- not thousands of times over which we could form a sample and assess how close to seven tenths was the proportion of days on which it rained. That’s not a trivial problem to solve -- lots of complex math has been devoted to answering it (by Hanson and others). As I understand it, the basic intuition is this: Suppose there are several information institutions predicting whether P will or won’t occur. Pundits, academics, statistical models, etc. make predictions on P. Then suppose P comes true. Now we can assign points to each information institution. If it predicted P with 99% confidence then it would get lots of points. If it predicted P with only 66% confidence, it gets points, but fewer. If it predicted P was unlikely to happen with only a 25% chance, it would have lost some points. And if it said P was 0.1% likely to happen, it would have lost tremendous amounts of points. Iterate this process over thousands of different predictions and the final scores constitute a study which suggests the relative informative strength of prediction markets.
3. Berg, Joyce E., Forrest D. Nelson, and Thomas A. Rietz. “Prediction Market Accuracy in the Long Run.” *International Journal of Forecasting* 24, no. 2 (April 28, 2008): 285–300. <https://doi.org/10.1016/j.ijforecast.2008.03.007>

Hanson, Robin. “Shall We Vote on Values, But Bet on Beliefs?” *Journal of Political Philosophy* 21, no. 2 (2013): 151–78. <https://doi.org/10.1111/jopp.12008>.
4. Spann, Martin, and Bernd Skiera. “Sports Forecasting: a Comparison of the Forecast Accuracy of Prediction Markets, Betting Odds and Tipsters.” *Journal of Forecasting* 28, no. 1 (September 5, 2009): 55–72. <https://doi.org/10.1002/for.1091>.
5. Polgreen, P. M., F. D. Nelson, G. R. Neumann, and R. A. Weinstein. “Use of Prediction Markets to Forecast Infectious Disease Activity.” *Clinical Infectious Diseases* 44, no. 2 (2007): 272–79. <https://doi.org/10.1086/510427>.
6. Wolfers, Justin, and Eric Zitzewitz. “Interpreting Prediction Market Prices as Probabilities,” April 2006. <https://doi.org/10.3386/w12200>.