

## Agenda

### Introduction

### FORECASTING

- no predictions
- issues

### PREDICTION MARKET

- concept
- examples
- claims
- inside companies

### 2014candidates.org

- illustration



UNIL >> Talks >> 01.05.2006

# Prediction markets as forecasting tools

Université de Lausanne, Ecole des HEC, Cédric Gaspoz

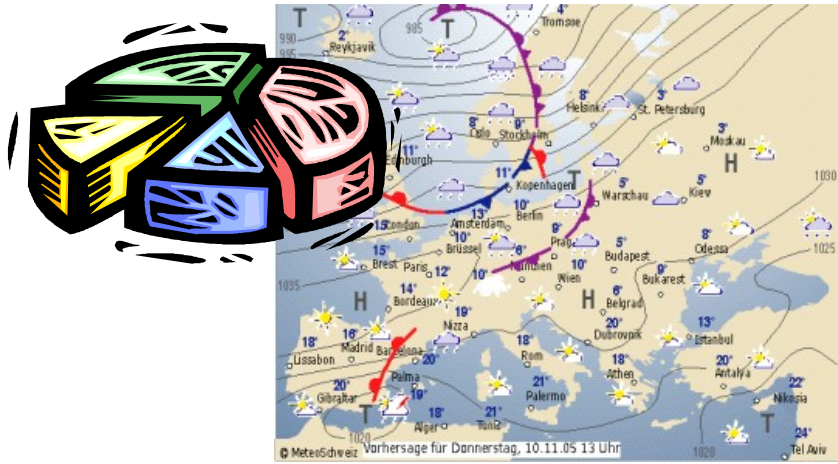


## No prediction ...

- *“This 'telephone' has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us.”*  
[West Union internal memo, 1876]
- *“I have travelled the length and breadth of this country and walked with the best people, and I can assure you that data processing is a fad that won't last out the year.”*  
[The editor of management books at Prentice-Hall, 1957]
- *“There is no reason anyone would want a computer in their home.”*  
[Ken Olsen, President and founder of Digital Equipment Corp., 1977]
- More recently, nobody anticipates the SMS phenomena ...

# Forecasting problems

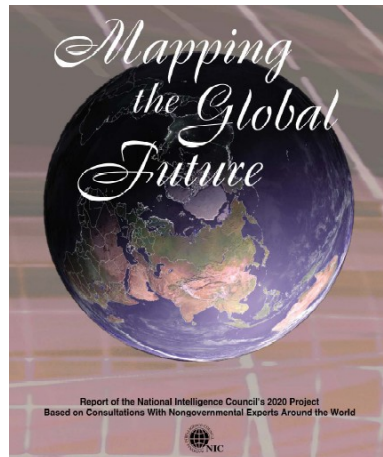
## Statistical methods



## Game theory

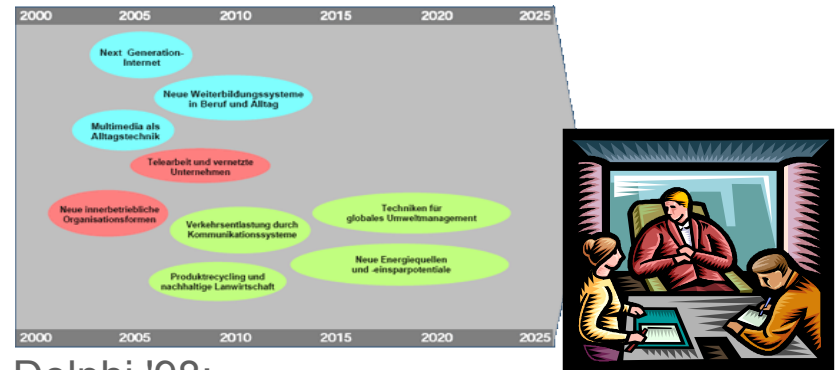


## Scenarios



[www.cia.gov/nic](http://www.cia.gov/nic)

## Delphi method



Delphi '98:  
New Foresight one Science and Technology

# Prediction market

Event-driven futures markets, event futures markets, information aggregation markets, information futures markets, idea futures markets, claim markets, predictive market-based technology and decision markets

„Prediction markets are **speculative** markets created for the purpose of **making predictions**. Assets are created whose final cash value is **tied to a particular event** (e.g., will the next US president be a Republican) or **parameter** (e.g., total sales next quarter). The current market prices can then be interpreted as **predictions of the probability of the event or the expected value of the parameter**“

[http://en.wikipedia.org/wiki/Prediction\\_market](http://en.wikipedia.org/wiki/Prediction_market)

Cours du pronostic DICTAT\*Y

ÉCHELLE : [24 h] [semaine] [mois] [historique]



[http://fr.newsutures.com/market/market.html?symbol=DICTAT\\*Y](http://fr.newsutures.com/market/market.html?symbol=DICTAT*Y)



# Hollywood Stock Exchange (HSX)

- Trading on securities corresponding to movies (MOVIESTOCKs) and stars (STARBOND)
  - Including those in production and in theaters
- Using fake money
  - *“Hollywood Dollars”*
- A movie security is liquidated 4 weeks after the release of the movie
  - for \$1 per \$1 million in box office gross
- Entertainment mechanism
  - Public interest
- Sophisticated mechanisms
  - Reserve & investment banks, leader boards, trading club, tickers, funds, options, warrants, *“Hollywood Securities and Exchange Commission”*
- Accurate predictor
  - Week-end revenue of movies, academy awards (35 on 40 Oscar nominees in 2003)

[Passmore, 2004] [Surowiecki, 2004]

# Hollywood Stock Exchange (II)

illustration



HOLLYWOOD STOCK EXCHANGE

**MOVIESTOCKS**

**Million Dollar Baby**  
[MDBAB]

**STARBONDS**

**Clive Owen**  
[CLOWE]

↑ Robots	H\$113.55	3.78	↑ Ron Howard	H\$85.69	1.50
↑ Million Dollar	H\$30.61	3.00	↑ Steven Soderbergh	H\$77.90	1.50
↑ Be Cool	H\$67.45	2.50	↑ Julia Stiles	H\$69.69	1.50
↓ White Noise	H\$58.00	-2.00	↓ Jim Carrey	H\$127.02	-1.00
↓ Coach Carter	H\$66.08	-2.00	↓ Alan Rickman	H\$169.81	-1.00

**Million Dollar Baby**  
 Symbol: MDBAB Status: Active Genre: Drama Phase: Release  
 Price: H\$30.61 Change: +3 Volume: 4,021,613 [QuickTrader](#)  
 Gross: \$6,156,069 Release Date: 12/15/2004

**DESCRIPTION**  
 Clint Eastwood directs and stars in the drama *Million Dollar Baby*. Hilary Swank plays a woman determined to become a boxer and gets training at a gym ran by a couple of former champs, Eastwood and Morgan Freeman. Paul Haggis scripts the film based on two short stories by F.X. Toole.

Discuss *Million Dollar Baby* on the [Movies Board](#).

**CREDITS**  
[Clint Eastwood](#) (Director)  
[Clint Eastwood](#) (Actor)  
[Hilary Swank](#) (Actor)  
[Morgan Freeman](#) (Actor)  
 Distributor: Warner Bros. (domestic)

MDBAB

30 60 90 all Close High Low

HIGH AND LOW TRADING PRICES

THIS WEEK	▲ HS27.61	▼ HS24.61
THIS MONTH	▲ HS27.61	▼ HS18.55
THIS SEASON	▲ HS27.61	▼ HS10.84

**HSX RESEARCH** WELCOME TO HSX RESEARCH!

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**THE MOVIE MARKET**

	01.07.05	12.31.04		01.07.05	12.31.04
	this wk.	last wk.		wkend	wkend
weekly traders	22,358	19,335	+13.5%▲	\$1,068.8M	\$595.6M
weekly trades	367,506	311,183	+15.3%▲	\$123.8M	\$118.6M
avg. daily trades	52,142	44,570	+14.5%▲	4,422	4,111
new traders	1,061	771	+27.3%▲	5	6

**THE INDUSTRY**

	01.07.05	12.31.04
	wkend	wkend
cum. box office	\$1,068.8M	\$595.6M
wkend box office	\$123.8M	\$118.6M
avg. per theater	4,422	4,111
new openings	5	6

**MOVIE STOCK PRICE CHANGE**

**WEEKEND BOX OFFICE**

**SUBSCRIBER LOGIN**

USERNAME:

PASSWORD:

[Help](#) [Login](#)

Not a subscriber yet?

CONTACT HSX RESEARCH

**OPENING THIS WEEK: WIDE**

Film title	Price		Audience Index	
	yesterday	last week	M	F
Are We There Yet? <a href="#">[AREWE]</a>	HS35.0	HS35.8	101	100
Assault on Precinct 13 <a href="#">[ASPI3]</a>	HS42.1	HS41.0	113	90

**OPENING THIS WEEK: LIMITED/INDIE**

Film title	Price		Audience Index	
	yesterday	last week	M	F
[SYMBOL]	01.17.05	01.10.05		

<http://www.hsx.com/>

The screenshot shows the HSX website with a green and black theme. It includes a navigation bar with links like 'home', 'movies', 'shop', 'login', and 'join'. Below the navigation, there are sections for 'MOVIE STOCKS', 'STARBONDS', and 'STOCKS'. A prominent banner reads '1 JOIN 2 BUY & SELL 3 WIN WANT TO BE A PLAYER? TELL ME MORE!'. Other sections include 'MOVIE IPO OF THE DAY', 'RESEARCH', 'FEATURES', 'IN THEATERS THIS WEEKEND', and 'HSX Market Data'.

# Claims

## Presidential election 2008

### Hillary Clinton to be the Democratic Presidential Nominee in 2008

(intrade.com - 2008DEM.NOM.CLINTON)

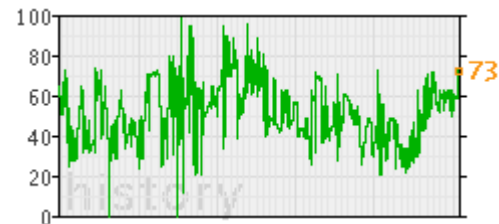


## CERN will find the Higgs particle first

The hypothetical Higgs particle, aka "God particle" is supposed to be the reason that other particles have mass. It is a theoretical consequence of our current understanding, or "standard model", of particle physics, and if it does not exist, it means that we got it seriously wrong.

That's why high energy physicists all over the world are racing each other to find it first, or not. Both CERN (the European High Energy Physics Laboratory), and Fermilab in the USA are building brand new mega powerful accelerators to look for the Higgs.

(us.newsfuture.com – HIGGCERN)



# Predictive markets inside corporations

## The Now Economy

News and reviews from CommerceNet

[« Top | Main | Craigslist-in-a-Box anyone? »](#)

January 13, 2005

### Market Experiments Inside Companies

Chris Masse's [year end summary](#) of Prediction Markets activity for 2004 gave a pointer to an article from Time Magazine back in July that I had skimmed earlier. When I looked at it again, I found references to internal markets at MicroSoft, Eli Lilly, and Intel that I hadn't noticed before. It seems worth the time to gather together references to all the internal market experiments I've heard about, since most of them haven't been written up formally as far as I've been able to tell.

Company	subject	organizer	references
HP	sales level	Charles Plott	<a href="#">Time, Plott &amp; Chen</a>
Eli Lilly	drug efficacy	Eli Lilly	<a href="#">Time</a>
Microsoft	developer acceptance of new releases	Todd Proebsting	<a href="#">Time</a>
Intel	assignment of chip production to plants	Tom Malone	<a href="#">Time</a>
British Petroleum	Pollution Credit trading *	internal	<a href="#">Tom Malone: The Future of Work</a>
Siemens	software development scheduling	Gerhard Ortner	<a href="#">Ortner</a>

\* I should mention that the BP case was trading internal pollution credits, while all the others seem to have been Idea Futures markets.

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Posted by chris at January 13, 2005 11:38 AM

Comments

[http://blog.commerce.net/archives/2005/01/market\\_experime.html](http://blog.commerce.net/archives/2005/01/market_experime.html)

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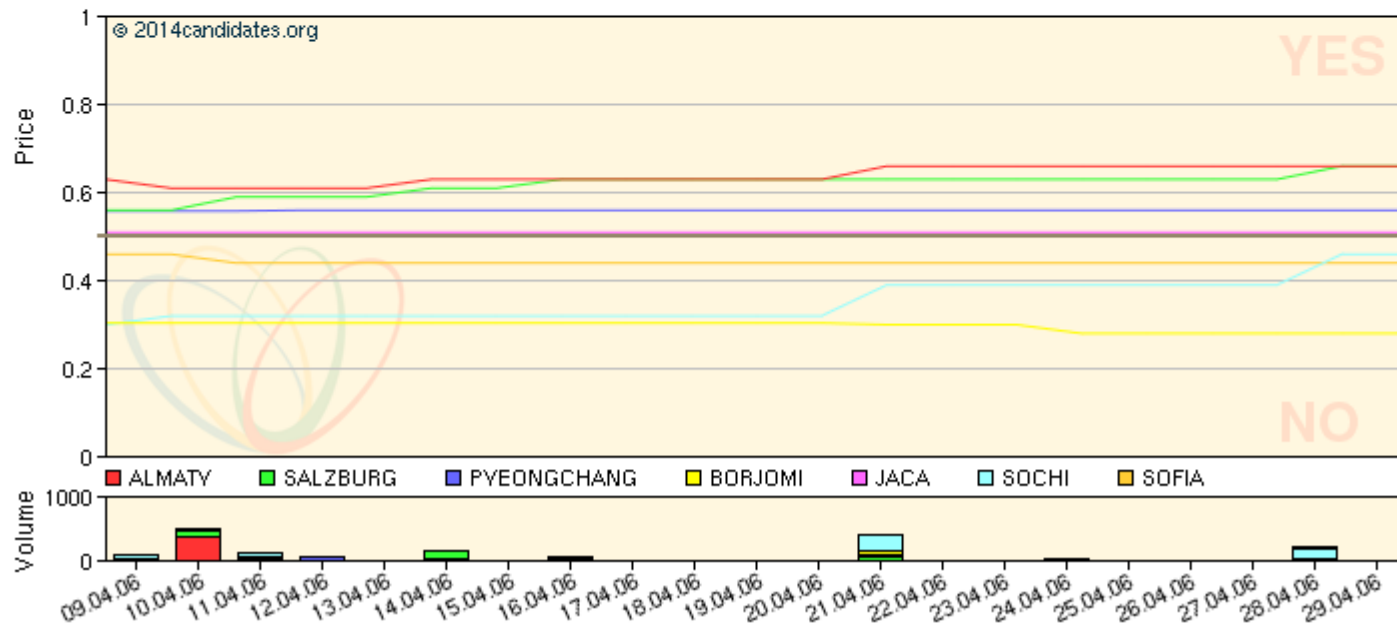
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## 2014CANDIDATES.ORG

This site is designed to predict with a strong probability the cities which will be designated in June 2006 as candidates for the Winter Olympics 2014 and, finally, the city which will be elected to organize these Games in July 2007. These decisions are made by the CIO according to a [precise procedure](#).

You can find more informations about this project, the prediction markets and ourself in the "[About](#)" section of this website



<http://www.2014candidates.org>

FORECASTING | PREDICTION MARKET | [2014candidates.org](#)

# 2014candidates.org (II)

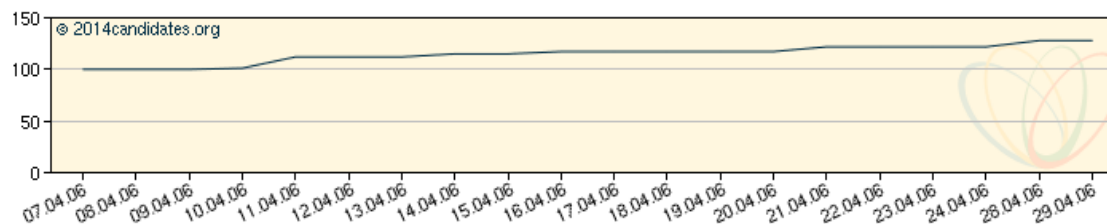


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FR | EN

## WELCOME CGASPOZ

### ACCOUNT HISTORY



### HOLDINGS

Quantity	Symbol	Value		
-10	<a href="#">ALMATY</a>	-6.6	<a href="#">buy</a>	<a href="#">sell</a>
45	<a href="#">FEDERER</a>	37.125	<a href="#">buy</a>	<a href="#">sell</a>
1	<a href="#">JACA</a>	0.51	<a href="#">buy</a>	<a href="#">sell</a>
5	<a href="#">PYEONGCHANG</a>	2.8	<a href="#">buy</a>	<a href="#">sell</a>
91	<a href="#">SALZBURG</a>	60.06	<a href="#">buy</a>	<a href="#">sell</a>
70	<a href="#">SOCHI</a>	32.2	<a href="#">buy</a>	<a href="#">sell</a>
1	<a href="#">SOFIA</a>	0.44	<a href="#">buy</a>	<a href="#">sell</a>
-8.62	<a href="#">cash</a>	-8.62		
10	<a href="#">restricted cash</a>	10		
Totals:		127.92		

You have actually **60.15 OLYM** available to spend.

### QUOTES

Symbol	Bid (Qty)	Ask (Qty)	Last	Chge
Applicant Cities				
<a href="#">ALMATY</a>	<a href="#">0.63</a> (40)	<a href="#">0.66</a> (70)	0.66	0.00 ■
<a href="#">SALZBURG</a>	<a href="#">0.66</a> (15)	<a href="#">0.66</a> (90)	0.66	0.00 ■
<a href="#">PYEONGCHANG</a>	<a href="#">0.54</a> (90)	<a href="#">0.56</a> (90)	0.56	0.00 ■
<a href="#">BORJOMI</a>	<a href="#">0.28</a> (32)	<a href="#">0.30</a> (60)	0.28	0.00 ■
<a href="#">SOCHI</a>	<a href="#">0.46</a> (60)	<a href="#">0.49</a> (60)	0.46	0.00 ■
<a href="#">SOFIA</a>	<a href="#">0.44</a> (40)	<a href="#">0.46</a> (90)	0.44	0.00 ■
<a href="#">JACA</a>	<a href="#">0.49</a> (100)	<a href="#">0.51</a> (100)	0.51	0.00 ■
Roland Garros 06				
<a href="#">FEDERER</a>	<a href="#">0.85</a> (40)	<a href="#">0.80</a> (100)	0.86	0.00 ■
<a href="#">NADAL</a>	<a href="#">0.00</a> (0)	<a href="#">0.00</a> (0)	None	0.00 ■

<http://www.2014candidates.org>