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The Up hot
ROAD TO 2016

If You're a Betting Man, It's Time to Start Believing Donald Trump

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Politicians lie, but bettors have a habit of ferreting out the truth. And this is why my article this morning noted that it would be harder for politicians to evade the fund-raising limits that apply to candidates if we relied on prediction markets rather than lawyers to assess whether a politician was running for office.

It turns out that a small prediction market has been running precisely the sort of markets required to figure out if a politician is really a candidate. For instance, there's a contract on the PredictIt online exchange that pays \$1 if Jeb Bush becomes a presidential candidate by June 30. It last traded for 99 cents, up from around 85 cents in the days before he announced that he would soon make an announcement. At those odds, I'm willing to call Mr. Bush a candidate.

There are a few other interesting tidbits to be gleaned from related markets. Bettors finally believe Elizabeth Warren's protests that she's not

running, and she's rated only a 1 percent chance to declare in the next few weeks.

By contrast, other Democrats are considered more likely, with the former Virginia senator Jim Webb given a 68 percent chance to run, while Vice President Joe Biden's stock suggests that there is a 15 percent chance he will declare his candidacy. Mayor Bill de Blasio of New York is a long shot, with only a 2 percent chance. (Missing from this list is the Democratic front-runner, Hillary Clinton, who has already declared her candidacy, along with her fellow candidates Bernie Sanders, Martin O'Malley and Lincoln Chafee.)

On the Republican side, most of the major candidates, except Jeb Bush and Scott Walker, have declared their candidacies. The market rates Mr. Walker only a 9 percent chance to declare before the end of June. I suspect that this says more about the likelihood that he will delay an official announcement until later in the summer than a substantial likelihood that he's not running.

Chris Christie, Bobby Jindal and John Kasich are the only other major Republican figures yet to declare, and there are no markets (yet) on whether any of them will officially join the race.

The real surprise in all of this (at least to me) is Donald Trump, the perennial tease who has faked out the national press in so many previous campaigns that they no longer take him seriously. Yet the market believes that Mr. Trump is for real this time, rating him a 62 percent chance to file paperwork with the Federal Election Commission sometime this month. Perhaps it is time to take him a bit more seriously. Or at least it's time to take seriously the idea that he intends to run.

The source of these assessments is PredictIt, which is itself an interesting entity — a small research-based prediction market, run by academics at the University of Victoria, in New Zealand, aided by the Washington-based political technology company Aristotle International.

These markets involve real money bets, albeit with pretty small stakes.

In order to obtain signoff from the Commodity Futures Trading Commission, it had to impose limits so that the most you can bet on any individual market is \$850. The markets remain relatively thin, but still, past evidence seems to suggest that even relatively small prediction markets yield quite useful forecasts.

And finally, some advice. As you try to figure out whether to put more faith in these market-based assessments, or in the specific statements of politicians who just happen to be spending time in New Hampshire and Iowa while considering their options, I would simply suggest that you keep in mind the economist's dictum: Consider the incentives.

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