The University of Chicago
Department of Statistics

Mini-seminars for Second Year Ph.D. Students

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Interpreting Prediction Market Prices as Probabilities

TUESDAY, March 6, 2007 at 4:30 PM
110 Eckhart Hall, 5734 S. University Avenue

ABSTRACT

The fair price of a binary call option on an event is the discounted risk-neutral probability of that event occurring. This talk is based on a paper by J. Wolfers & E. Zitzewitz which compares synthesized binary option prices with risk-adjusted predicted physical probabilities based on survey data, over the constant relative risk aversion (CRRA) family of utility models.

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