

Information flow in decision markets

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A market that directs an outcome

- Onchain execution
 - Token issuance
 - Transfer of funds
 - Updating parameters
- Execution of legal agreements
 - Market making
 - Hiring
 - Incorporation
 - Grants (GMU with Robin Hanson)
- Approval of initiatives
 - Budgets
 - Quarterly plans
 - New business ventures

Trade the price of yes / no (pass/fail | approve/reject)

- CEO fire / keep
 - IBM (Ginni Rometty) - presiding over 24 consecutive quarters of revenue decline
- Would stock price be higher if we did X?
- Split into two (fork)
- Trade for 3 days (we started out at 10)
- TWAP (delay 24 hours for consumption of proposal information)
- Only ONE is canonical after the proposal (resolves to the underlying)

Information games

- We want sophisticated parties to reveal their information
 - Need deep liquidity(?) to have payout
 - Counterintuitively volume may not be a good proxy outside of opinion / conflicting views
 - Resolution is in token price, payout could be in 1 year or longer
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- Design different liquidity curves at different times
 - Who's paying for this?

Advantages = disadvantages

- What if this is key for success of your business and it's a crowded competitive landscape?
- What if the information revealed creates disadvantaged execution? Front running?
 - META had this problem with parties wishing to purchase tokens, drove up the token price such that the execution of the sale would be outside the range of the proposal, meaning we couldn't take \$\$\$
- Legal? Hiring maybe works, but firing is a footgun

Mechanism

- We know TWAP isn't great
 - Hit by a bus scenario, to impact the market prices may need to approach infinity
- VWAP + TWAP?
- Statistical Brownian Motion - Robin's suggestion
 - How do you get that onchain?
- Structured proposals (MetaDAO 2.0)
 - What should be traded in 20 days shouldn't be traded in 3 days (acquisitions, liquidations)
- Proposal crafting
 - We no longer list parties for OTC, just the high level terms on what will and will not be accepted

<https://www.metadao.fi>

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