

Kelly Betting and Prediction Markets

Reading Questions 7

Monday, Oct. 1st 2012

1 Kelly Betting

1. What is the natural setting we consider a Kelly bettor in? What does the Kelly bettor attempt to do in this setting?
2. What desirable properties does this betting scheme have?
3. What is the connection between Kelly betting and prediction markets? Does the market Pennock discusses use a scoring rule, a cost function, a ...?
4. What is the “new justification” for Kelly betting that Pennock et al. provide?
5. In your own words, what is Figure 1 showing, how does this relate to the paper’s technical discussion?

2 Generic Response

Respond to the paper following the guidelines on the front page of the course website (under ‘Submit Comments and Presenting Papers’).