

When Betting Sites Predict Wars Before They Happen

Date: May 02, 2026 | Model: anthropic-batch:claude-opus-4-7

Source: Screenshot (OCR via AI)

Contents

1. Reading Passage
2. Explanation (Ages 14-18)
3. Key Terms Glossary
4. Reading Comprehension Quiz (10 questions)
5. Answer Key with Explanations

Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

In January 2026, US Special Forces raided a compound in Venezuela and captured the country's leader, Nicolás Maduro. Within days, an American soldier named Gannon Ken Van Dyke had cashed out more than \$400,000 on a website called Polymarket — a platform where users bet real money on whether future events will happen. The bets he had placed, prosecutors allege, were not lucky guesses. They were, according to charges filed this month, the work of an insider who knew the raid was coming.

Van Dyke's case is the first US prosecution for insider trading on a prediction market, and it has thrust a once-niche corner of the internet into a national-security debate. Polymarket and rivals like Kalshi let users buy contracts tied to outcomes — 'Will China invade Taiwan by 2026?', 'Will the Iranian regime fall by April 30?' — with prices that function as probabilities. Defenders argue these markets harness collective wisdom to forecast reality. Critics now ask whether the wisdom on display is collective at all.

A new report from the Anti-Corruption Data Collective, a non-profit research group, examined more than 400,000 Polymarket markets settled between January 2021 and March 2026. The findings are striking. Long-shot wagers — defined as bets of \$2,500 or more placed at odds of 35-to-1 or worse — succeeded 52% of the time in markets concerning military and defence actions. Across all politics-focused markets the figure was 25%. Across the platform overall it was just 14%. In other words, the people willing to risk serious money on improbable military events were winning at a rate that, statistically, looks less like prediction and more like prior knowledge.

Lawmakers have noticed. Yassamin Ansari, a Democratic representative from Arizona, has called wagers on military actions 'a disturbing national security risk.' Her colleague Ritchie Torres of New York warned that such markets create 'a perverse incentive' for government insiders to personally push policies that line their pockets. Their concern is structural: when classified information has a price tag, the people who hold it have a motive to leak — or to act.

The platforms themselves are responding in different ways. Kalshi, Polymarket's main rival, has heavily promoted its compliance efforts, partnering with surveillance firm Solidus Labs and presenting itself as the largest regulated prediction market in the United States. Kalshi bans what it calls 'violent markets,' including those on war and kidnapping, and requires users to verify their identities. Polymarket, by contrast, accepts anonymous cryptocurrency payments and skips identity verification for most users. It declined to comment on the report but has said it prohibits trading on stolen confidential information, and pointed to Van Dyke's arrest as 'proof the system works.'

Here's the catch: even researchers who defend prediction markets concede that their accuracy may not come from crowds at all. A study led by Roberto Gómez Cram at the London School of Economics found that just 3% of accounts generate most of Polymarket's price discovery — the process by which trading activity arrives at a market's 'right' price. The rest of the users, the study suggested, mostly lose money. If that small minority owes its accuracy to leaked information rather than analytical skill, the entire premise of the prediction market — that many guesses produce

truth – begins to look less like wisdom of crowds and more like a high-tech laundering of secrets.

2. Explanation (Ages 14-18)

What if you could place a bet on a secret military raid – and win big because you knew it was coming? That's exactly the fear haunting Polymarket right now.

What's Going On?

Polymarket is a prediction market – a platform where users bet real money on whether future events will happen, like 'Will China invade Taiwan by 2026?' or 'Will the Iranian regime fall by April 30?' A new report from the Anti-Corruption Data Collective found that more than half of large 'long-shot' bets (\$2,500+ at odds of 35-to-1 or worse) on military action turned out to be winners – a stunning 52% success rate.

Compare that to a 14% win rate for long-shots across the platform overall, and alarm bells start ringing. US prosecutors recently charged an active-duty soldier, Gannon Ken Van Dyke, with placing roughly \$33,034 in bets – including wagers tied to a January raid that captured Venezuelan leader Nicolás Maduro. He allegedly walked away with over \$400,000.

How To Think About It

Prediction markets are supposed to crowdsource wisdom – pooling everyone's guesses to forecast reality. But when some bettors have non-public information, betting stops being prediction and starts being insider trading.

- Think of it like sports betting if a player's cousin secretly knew the team's injury list – except the 'team' is the US military and the 'injury list' is a classified raid.
- It's the same logic as Wall Street insider trading laws: if you trade Apple stock knowing tomorrow's unannounced earnings, you're not predicting – you're cashing in on stolen information.

Key Things To Know

- Polymarket's military and defence markets had a 52% long-shot win rate – versus 14% platform-wide.
- The report analysed over 400,000 markets settled between January 2021 and March 2026.
- Van Dyke's case is the first US prosecution for insider trading on a prediction market; Israel filed similar charges earlier in 2026.
- Rival platform Kalshi bans 'violent markets' (war, kidnapping) and requires identity verification; Polymarket allows anonymous crypto payments and skips ID for most users.
- A London School of Economics study found that just 3% of accounts drive most of the price discovery – meaning a tiny informed minority, not the crowd, sets the odds.

Why It Matters

This story sits at the intersection of three things shaping your future: the rise of crypto-based betting platforms, the blurring line between gambling and investing, and the question of whether national security can survive in an age where every secret has a price tag. If you're considering careers in law, finance, intelligence, or tech policy, prediction markets are the next frontier regulators are scrambling

to understand – and the rules being written now will define the industry for decades.

The Bigger Picture

Prediction markets aren't going away – a whole ecosystem of start-ups like Unusual Whales and Polywhaler is now selling tools to detect (or copy) suspected insiders. Watch for two things: tighter US regulation modeled on securities law, and a possible split between 'serious' regulated platforms like Kalshi and looser, anonymous ones. The deeper question? Whether informed leaks make these markets more accurate – and whether that accuracy is worth the national-security risk.

3. Key Terms Glossary

Prediction market

A platform where users buy and sell contracts tied to whether a future event will occur. Prices function as probabilities – a contract trading at 30 cents implies the market thinks there's a 30% chance of the event happening.

Long-shot bet

A wager on an unlikely outcome that pays out big if it hits. In this article, defined specifically as bets of \$2,500+ placed at odds of 35-to-1 or worse.

Insider trading

Using confidential, non-public information to profit in a market. Illegal in stocks; the Van Dyke case tests whether the same rules apply to prediction markets.

Market manipulation

Artificially distorting prices through deceptive trades or false information, rather than letting them reflect genuine supply, demand, and probability.

Price discovery

The process by which a market's collective trading activity arrives at the 'right' price for an asset or outcome. The LSE study suggests on Polymarket, just 3% of users drive most of it.

Wisdom of crowds

The theory that aggregating many independent guesses produces more accurate predictions than any single expert. The Polymarket findings challenge this – suggesting it's really the 'wisdom of the informed minority.'

Perverse incentive

When a rule or system accidentally rewards the opposite behaviour from what was intended – here, the worry that officials could shape policy to win personal bets.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage most directly argues that:

- A) Prediction markets should be banned in the United States.
- B) Polymarket's unusually successful military bets suggest insiders may be exploiting classified information.
- C) Kalshi is a more profitable platform for traders than Polymarket.
- D) Military officials are the largest group of users on prediction markets.

Q2. According to the passage, the Van Dyke case is significant primarily because:

- A) It involves the largest sum ever won on Polymarket.
- B) It was prosecuted by Venezuelan authorities cooperating with the US.
- C) It is the first US prosecution for insider trading on a prediction market.
- D) It led directly to the capture of Nicolás Maduro.

Q3. The passage indicates that Polymarket and Kalshi differ most clearly in:

- A) The total trading volume each platform processes annually.
- B) Their approach to identity verification and restricted market types.
- C) Whether they allow betting on US elections.
- D) The countries in which they are legally permitted to operate.

Q4. As used in the passage, the word 'harness' most nearly means:

- A) Restrain
- B) Capture and use
- C) Strap together
- D) Limit by force

Q5. As used in the passage, the word 'disturbing' most nearly means:

- A) Interrupting
- B) Physically shaking
- C) Deeply troubling
- D) Mildly annoying

Q6. Which statement about prediction markets can most reasonably be inferred from the passage?

- A) All prediction-market traders are likely engaged in illegal activity.
- B) The accuracy of these markets may depend more on a small group of informed users than on broad crowd participation.
- C) Crypto payments make prediction markets impossible to regulate.
- D) Sports betting is more profitable than political betting on Polymarket.

Q7. The passage suggests that the rise of start-ups like Unusual Whales and Polywhaler:

- A) Has eliminated insider trading on prediction markets.
- B) Is an unintended consequence of the very scrutiny these markets now face.
- C) Is regulated identically to traditional stock-market analytics firms.
- D) Has been formally endorsed by the US Department of Justice.

Q8. The author's tone throughout the passage is best described as:

- A) Enthusiastic and promotional
- B) Sceptical and investigative
- C) Hostile and dismissive
- D) Detached and indifferent

Q9. Which of the following can most reasonably be inferred about the relationship between prediction markets and military secrets?

- A) Prediction markets have no measurable impact on national security.
- B) The financial incentives of these markets may motivate the leaking of classified information.
- C) Most military personnel are forbidden from using the internet.
- D) Classified information is always leaked through prediction markets first.

Q10. Which choice provides the BEST evidence for the answer to the previous question?

- A) 'More than half of long-shot bets on military action made on Polymarket are successful.'
- B) 'Polymarket allows payment using anonymous cryptocurrency channels.'
- C) 'Markets create a perverse incentive for government insiders to personally push policies that line their pockets.'
- D) 'The report analysed more than 400,000 prediction markets.'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage most directly argues that:

Answer: B

The passage centers on the gap between a 52% military long-shot win rate and a 14% platform average, framing this as evidence of possible insider activity. A overstates the argument – the passage discusses regulation, not bans (Trap A: right scope, wrong direction). SAT Tip: For 'main idea' questions, pick the option that covers the WHOLE passage, not just one paragraph. If an option is more extreme than the passage's actual language, it's almost always wrong.

Q2. According to the passage, the Van Dyke case is significant primarily because:

Answer: C

The passage explicitly states this is 'the first US prosecution of insider trading on prediction markets.' Option D reverses cause and effect – the Maduro raid happened first, and Van Dyke allegedly bet on it (Trap A). SAT Tip: When a question asks why something is 'significant,' look for language in the passage like 'first,' 'largest,' or 'unprecedented' – these signal the author's framing of importance.

Q3. The passage indicates that Polymarket and Kalshi differ most clearly in:

Answer: B

The passage contrasts Kalshi's ban on 'violent markets' and ID requirements with Polymarket's anonymous crypto payments and lack of ID for most users. Option A mentions a topic the passage doesn't actually compare numerically (Trap C: plausible but unsupported). SAT Tip: On comparison questions, scan for the specific contrasting details the author chose to highlight – those are the differences that count, not ones you might assume from outside knowledge.

Q4. As used in the passage, the word 'harness' most nearly means:

Answer: B

Polymarket and Kalshi argue their platforms 'harness collective wisdom' – meaning they capture and put it to use. A and D lean on the common 'restrain a horse' meaning, which is the opposite of the intended sense (Trap B: passage vocabulary used in a wrong combination). SAT Tip: On vocab-in-context, substitute each option into the sentence – the right answer keeps the sentence's meaning intact, while common-meaning traps usually flip it.

Q5. As used in the passage, the word 'disturbing' most nearly means:

Answer: C

Lawmaker Yassamin Ansari calls military-action wagers a 'disturbing national security risk' – the context is alarm and threat, meaning deeply troubling. A relies on 'disturb' as in 'interrupt,' which doesn't fit a security-risk context (Trap B). SAT Tip: When a word appears next to high-stakes nouns like 'risk,' 'threat,' or 'crisis,' pick the meaning that matches that gravity – not the everyday version of the word.

Q6. Which statement about prediction markets can most reasonably be inferred from the passage?

Answer: B

The passage cites an LSE study finding that just 3% of accounts drive most price discovery, supporting the 'wisdom of an informed minority' interpretation. A overgeneralises – the passage discusses suspected insiders, not all traders (Trap A). SAT Tip: Inference answers must be cautious and supported. If an option uses 'all,' 'never,' or 'impossible' and the passage uses softer words like 'some' or 'may,' the extreme option is usually a trap.

Q7. The passage suggests that the rise of start-ups like Unusual Whales and Polywhaler:

Answer: B

The passage describes 'a wave of start-ups selling tools to help users profit by copying suspected insiders' as a business opportunity created by growing scrutiny. C invents a regulatory equivalence the passage never claims (Trap C: real-world plausible but unsupported). SAT Tip: Watch for cause-and-effect inference questions – the passage often hints at second-order effects (here, scrutiny breeding new businesses) that you must trace logically.

Q8. The author's tone throughout the passage is best described as:

Answer: B

The passage raises questions, cites evidence of suspicious patterns, quotes critics, and presents both platforms' defences – the hallmarks of investigative scepticism. C overshoots: the author isn't dismissing prediction markets, just probing them (Trap A: right direction, wrong intensity). SAT Tip: For tone questions, focus on the author's verbs and adjectives – words like 'concerns,' 'fears,' 'scrutiny,' and 'alleged' point to scepticism, not hostility.

Q9. Which of the following can most reasonably be inferred about the relationship between prediction markets and military secrets?

Answer: B

Lawmakers warn the markets create 'a perverse incentive' for officials to push policies that benefit their personal bets, and the high long-shot win rate suggests classified info is reaching bettors. D is far too absolute (Trap A: right direction, wrong scope). SAT Tip: On 'most reasonable inference' questions, the right answer usually uses hedged language ('may,' 'could,' 'suggests') – extreme certainty is a red flag.

Q10. Which choice provides the BEST evidence for the answer to the previous question?

Answer: C

Option C directly states the mechanism by which prediction markets could motivate leaks of classified information – exactly the inference made in Question 9. A supports the existence of a problem but not the motivation behind it (Trap B: related vocabulary, wrong logical link). SAT Tip: On evidence-pairing questions, find the line that EXPLAINS your previous answer's reasoning, not just one that mentions the same topic. Cause beats correlation every time.