

## US: Prediction markets and the erosion of the American dream

Prediction markets are often defended in the US as tools of information efficiency. Their theoretical appeal is straightforward: when people put capital behind their expectations about elections, inflation, interest rates or other public outcomes, market prices may aggregate dispersed information more effectively than polling or expert opinion. In that framework, prediction markets are not gambling but mechanisms of price discovery. That theory deserves to be taken seriously. But in the American context, it is no longer enough. KAL ELSAYED writes.



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**Prediction markets are not emerging in isolation. They are expanding inside a broader culture already shaped by legalized sports betting, fantasy sports and app-based wagering. In practice, they are entering the same digital ecosystem, targeting the same retail user, using the same logic of constant engagement and monetizing the same appetite for rapid, event-driven gains. Whatever their theoretical elegance, their real-world social function increasingly resembles the normalization of speculation in daily life.**

This matters because the US is not merely witnessing the growth of a new financial product. It is witnessing the conversion of civic and economic life into a series of tradable events. Elections, inflation releases, Federal Reserve decisions and geopolitical developments are increasingly framed not simply as matters of public consequence, but as opportunities for retail speculation. That shift is especially consequential for younger Americans, who are coming of age in an economy where the traditional promise of the American dream feels progressively less attainable.

For many young adults, homeownership has become remote, stable family formation has become more financially difficult and upward mobility through ordinary work often appears insufficient relative to the cost of living. In that environment, prediction markets and similar products can offer an illusion of control. The wager begins to replace the plan. Rather than building wealth gradually through saving, entrepreneurship, education or long-term ownership, users are encouraged

to pursue discontinuous gains from volatility itself. The cultural message is subtle but powerful: do not just work within the economy, speculate on it.

That is why the rise of prediction markets should be read not only through market theory, but through social psychology. In theory, these markets reward informed judgment. In practice, many users do not enter them as sophisticated forecasters. They enter through the smartphone: the same device that delivers sports betting, social media, personalized notifications and frictionless payments. The result is a form of speculative participation that feels modern, data-driven and financially intelligent, even when it reinforces habits of impulsiveness, short-termism and emotional decision-making.

Over the next 10 years, the economic significance of this trend is unlikely to lie in its direct share of GDP. Even if prediction markets expand rapidly, their size will remain modest relative to the overall US economy. The more serious concern is behavioral and distributional. If these markets continue to grow alongside sports betting and other gambling-like platforms, they may increasingly absorb disposable income from younger and lower-income households, functioning as a regressive drain on already fragile balance sheets.

Those dynamic matter far more than headline market volume. A society does not need an enormous gambling sector to suffer meaningful economic harm. The harm arises when losses are concentrated among those least able to bear them, and when repeated speculative behavior displaces saving, investing and skill-building. Over time, this can weaken household resilience, deepen indebtedness and reinforce the belief that stable advancement through discipline and

effort is no longer realistic.

The longer-term macroeconomic risk is therefore cultural as much as financial. An economy in which more citizens approach major public events primarily as betting opportunities may become more short-term in orientation. Income that might otherwise support education, household formation, retirement preparation or small-business activity may instead be diverted into zero-sum or negative-sum transactions. This does not simply reduce financial security at the household level. It can also erode confidence in the legitimacy of the broader economic order. If a growing segment of the public begins to believe that success depends more on catching the right wager than on productive effort, then the moral foundation of the American dream continues to deteriorate.

Prediction markets also raise a deeper public concern because they transform civic life into speculative inventory. Elections and policy decisions are not ordinary commodities. When they become objects of retail wagering, the line between public participation and private monetization begins to blur. This introduces concerns about integrity, incentives and the commercialization of uncertainty itself. Over the coming decade, these tensions are likely to generate greater pressure for federal intervention, particularly as regulators confront questions involving insider knowledge, event manipulation and the boundary between gambling and retail finance.

For Islamic finance in America, this development is highly relevant. The issue is not only that prediction markets resemble Maysir and intensify Gharar, though both concerns are clearly implicated. The deeper issue is that such products further detach finance from the real economy and encourage gain without productive contribution. They channel

attention away from ownership, enterprise and asset creation and toward monetizing uncertainty for its own sake.

This sharpens the relevance of Islamic finance precisely at a time when many Americans feel economically cornered. Islamic finance offers more than a compliance-based objection to speculative excess.

It offers a different theory of finance itself: one rooted in tangible assets, responsible risk-sharing and the connection between financial activity and real economic value. In a society increasingly tempted to treat uncertainty as a product category, that alternative has growing practical significance.

Indeed, the spread of prediction markets may help clarify the public role Islamic finance can play in the US over the next decade. It can serve not merely as a niche offering for Muslim consumers, but as a principled critique of an economy drifting further toward the commercialization of anxiety, volatility and false hope.

At a moment when younger Americans are being invited to bet on the world rather than build within it, Islamic finance stands for a different proposition: finance should support dignity, stability and ownership, not exploit frustration through ever more sophisticated forms of speculation.

Prediction markets may continue to grow in visibility and legitimacy in the US. But their deeper significance is not technological innovation. It is that they reveal an economy in which the boundaries between investment, entertainment and gambling are becoming dangerously thin. For younger Americans, that risks replacing aspiration with speculation. For the US economy, it risks normalizing habits that weaken long-term financial health.

And for Islamic finance in America, it underscores why the ethical critique of speculative finance is no longer theoretical. It is increasingly a necessary response to one of the country's most revealing economic trends. ☺

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