Resolving the Filecoin RetroPGF Round 2 Prediction Markets: Lessons Learned

We're excited to share the results of our recent futarchy experiment conducted alongside Filecoin's second Retroactive Public Goods Funding (RetroPGF) round. Both prediction markets — one focused on identifying top 10% funded projects and another on bottom 10% funded projects — have now been resolved based on the final funding allocation.

Key Findings

The experiment yielded several interesting insights about using prediction markets to enhance public goods funding decisions:

Market Engagement & Participation

Our analysis shows that the prediction markets saw notably higher engagement and trading activity for top-funded projects compared to bottom-funded projects. This asymmetry likely stems from the inherent difficulty in predicting bottom-funded projects — there exists a long tail of less prominent projects with relatively similar chances of being in the bottom 10%, whereas projects likely to be in the top 10% are often more distinguishable due to their established reputation and impact in the ecosystem.

Trading Patterns

We observed that the market for predicting top-funded projects attracted approximately three times more participants than the bottom-funded project market. Almost all included projects received some trader participation in their top 10% markets, suggesting a foundation of engagement that can be built upon in future iterations.

However, overall trade engagement remained lower than optimal — evidenced by the fact that many prices didn't adjust even after allocation results were announced, leaving virtual profit opportunities untapped. For the projects where the market expressed a clear directional opinion within the top 10% of funding, we saw mixed results — the market was directionally correct in 2 cases and incorrect in 2 cases.

Top Performers

We'd like to congratulate our top traders who contributed the most information to the markets:

Top 10% Market Leaders:
1. Clément Lesaege (Ṁ2,510)
2. Filecoin Today (Ṁ1,029)
3. Noah Taylor (Ṁ143)

Bottom 10% Market Leaders:
1. Clément Lesaege (Ṁ1,732)
2. Gynfix (Ṁ984)

3. Danny O'Brien🤖 (Ṁ75)

Rewards Announcement
A total of 200 FIL will be split equally as a reward for contributing helpful information to the markets between the top 5 traders: Clément Lesaege, Filecoin Today, Noah Taylor, Gynfix, and Danny O'Brien🤖.

If your name is listed above, please reach out to us to provide your wallet address and claim your share of the reward!

Special recognition goes to Clément Lesaege for achieving the highest profits in both markets, demonstrating consistent ability to contribute valuable information across both prediction categories.

Future Improvements

Based on these results, we've identified several areas for enhancement in future iterations:

1. Market Design: Future markets will need to incorporate mechanisms that better attract informed market participants who can align prices with available information about each project's level of promise.
2. Balanced Participation: Finding ways to encourage more equal participation across both markets (top and bottom predictions) could help improve overall predictive power.
3. Enhanced Information Flow: Better mechanisms for surfacing relevant project information to traders could help improve prediction accuracy.

Looking Ahead

While this initial experiment provided valuable insights, it also highlighted the importance of continued refinement in using prediction markets for public goods funding decisions. The learnings from this round will directly inform improvements to future implementations.

We're grateful to all participants who helped make this experiment possible and look forward to building on these foundations to create more effective decentralized funding mechanisms.

Feel free to share your thoughts and suggestions for future rounds in the comments below.