



The Dangerous Consequences of Betting on War

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Event contracts are turning war into something you can bet on from your phone — despite federal law meant to prevent exactly that.

Top Takeaways

- Betting on war and regime change is widely available across the United States, outside of the existing gambling regulatory framework
- Event contracts create insider trading, manipulation and national-security risks
- Federal law gives regulators authority to block war-related event contracts
- Congress and regulators need to act now

The Long Read

How Are These Bets Legal?

The Commodity Exchange Act (CEA) is the federal law governing derivatives exchanges. Under this law, Congress gave the Commodity Futures Trading Commission (CFTC) the authority to oversee event-based contracts.

The law specifically states that the CFTC has the [authority](#) to shut down contracts that are ‘contrary to the public interest’ when they [involve](#) things like terrorism, assassination, war or gambling. Yet markets tied to these very events are thriving:

- On Polymarket, users wagered heavily on when the United States and Israel would strike Iran, with contracts paying out based on whether an attack happened by a certain date. One market linked to the timing of strikes saw [\\$529 million](#) in wagers as tensions rose.
- Kalshi, a U.S.-regulated exchange, faced [backlash](#) over a market involving Iran’s Supreme Leader, Ayatollah Ali Khamenei. The company insisted it doesn’t run death markets and said that if he died, positions would be cashed out at the last traded

price rather than treating his death as a winning outcome—a technical distinction meant to avoid triggering the ban.

By defining contracts around dates or political control rather than explicit acts of war or death, operators claim to stay within the law. They argue that they are pricing probabilities, not violence. This is a distinction without a difference.

War as a Side Hustle

When U.S.–Israeli strikes on Iran became imminent, large and well-timed trades appeared on prediction markets ahead of the attack. At least one trader reportedly [cleared](#) a six-figure gain. Lawmakers immediately [raised](#) the obvious concern: did someone with inside knowledge profit?

National security experts point to several risks:

- Monetizing classified information. Anyone with nonpublic intelligence can turn it into trading profit.
- Incentivizing manipulation. Actors with influence over events can place bets, then shape outcomes.
- Corrupting decision-making. Officials who weigh war and peace should not view those choices through a financial lens.

No one who briefs the president on military options should have a financial stake in whether those operations are exercised.

Is Information Warfare Next?

These markets often trade on thin volume. A single large order can move prices sharply, altering the perceived “probability” of an event. Once odds shift, media outlets and social platforms often treat them as [objective signals](#).

This creates a [dangerous vulnerability](#). A foreign interest could buy contracts, move prices, then point to those prices as evidence that a government is unstable or war is imminent. Any actor could weaponize the markets to amplify panic or distrust.

Elected Officials are Responding

The Iran episode has raised attention among lawmakers.

- Senator Chris Murphy [called it ‘insane’](#) that people can legally profit from bets on war and is promising legislation to shut down contracts tied to military action.

- Representative Ritchie Torres has [proposed a bill](#) that would bar federal officials from trading in prediction markets on government policy when they possess nonpublic information, extending insider-trading rules into this new corner of finance.
- A new advocacy group, [Gambling Is Not Investing](#), led by former Trump chief of staff Mick Mulvaney, is pushing regulators to draw a bright line between forecasting tools and gambling — and to put war firmly on the forbidden side of that line.

Meanwhile, platforms are booming. Offshore sites like Polymarket are outside direct U.S. oversight, and the total volume of prediction-market trading globally has ballooned into the [tens of billions of dollars](#).

The law already says war, assassination and terrorism don't belong in event contracts. Will regulators allow semantics to override substance? Will Congress step in? Or will war become just another bet?

Selected Sources and Further Reading

Laws and Regulation

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