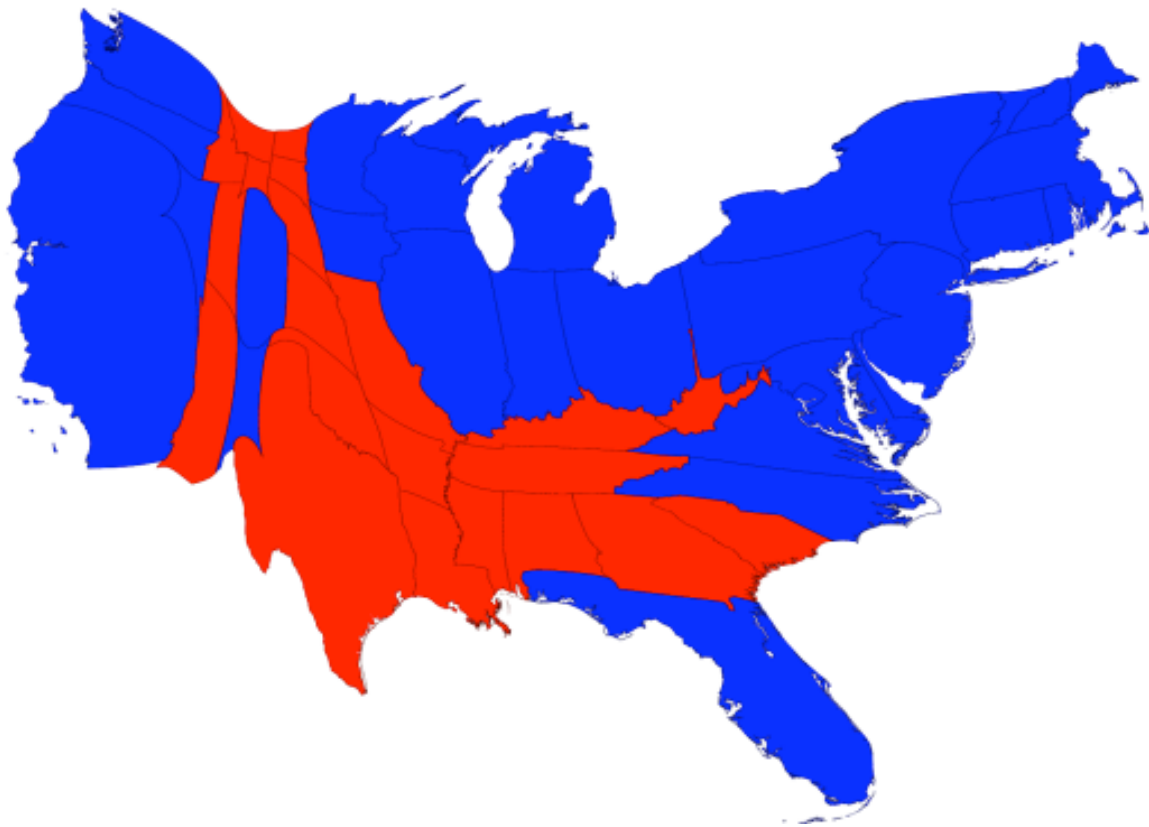


The Presidential Election Game and Political Prediction Markets: Can you make money gambling on presidential elections?

Abstract

Much like the Super Bowl and the stock market, a presidential election offers an opportunity to invest (or gamble, if you prefer) on various “propositions”. The markets (casinos?) where these types of investments are made are called “political prediction” markets. In this talk I will introduce a simple mathematical model of a presidential election (the “presidential election game”) and a particularly interesting prediction market called Intrade. Using the presidential election game together with data from Intrade, I will take a retrospective look at some investment opportunities that came up in the 2008 presidential election.



Caption: Cartogram of the 2008 presidential election. States are scaled by the number of electoral votes. (Cosma Shalizi et al, University of Michigan)