OBAMA FORTUNE RISES AGAIN IN AUGUST NOWCAST

- *IF THE US PRESIDENTIAL ELECTION WERE HELD NOW, OBAMA COULD ACHIEVE A BARE WIN OF THE POPULAR VOTE.   THE CURRENT (AUGUST) NOWCAST[i] FROM OUR PROXY MODEL= 51.4% FOR OBAMA.*
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The August nowcast from our Proxy Model continues an upward trend begun in the July nowcast, which put Obama over the 50 percent mark for the first time in months of nowcasting (See Table 1). Does this score mean he will win in November? To answer that, several points have to be considered.

First, there is the conversion of popular votes to electoral votes, what we call the "states-votes ratio." We have reported the tight relationship between these two variables for some time (Lewis-Beck and Tien, 2002). For the elections 1948-2008, their correlation is r = .97. The following OLS equation converts popular vote into electoral vote:

Electoral Vote = -200.15 + 4.91 Popular Vote   (eq.1)

(-11.88) (15.27)

R-sq. = .94 Adj. R-sq = .94,   SEE = 6.96 D-W = 1.44 N = 16 (1948-2008).

This regression equation predicts that, with our nowcast of 51.4% of the popular vote, Obama can expect to receive 52.2 % of the electoral vote (277), thereby claiming the presidency.

However, that point estimate neglects prediction error, which brings us to the second point. An initial way to consider prediction error is the average within-sample error, which is about 2 percentage points (for the popular vote model of Table 1). Thus,

Obama could, in fact, stay within this expected margin of error and lose the popular vote (and consequently the electoral vote), with a total less than 50 percent.

A third point of consideration is that the nowcast is for "now" – the month of August. However, the actual election is in November, over two months away. So the nowcast could change to an expected Obama loss, e.g., for September or October.

A fourth point of consideration is the structure of the model itself. Suppose our standard Jobs Model[ii], which has been tested over several elections, has preference. Then we get a worse result for Obama, with 47.6% of the popular vote (See Table 2).

CONCLUSION

The Proxy Model points to a narrow victory for Obama, while the Jobs model points to less narrow defeat. Both models cannot be correct. It is worth emphasizing that these numbers, for both models, are nowcasts for what would happen if the election were held now (in August). There is still time left for change, and so the nowcasts of September and October may be different. (For, because of the respective lag structures, the Proxy Model will have new predictor values in September, as will the Jobs Model). One possibility, we suggest a most likely one, is convergence of the models to a central, final, value. But that remains to be seen.

REFERENCES

Michael S. Lewis-Beck and Charles Tien. 2002. "Presidential Election Forecasting: The Bush-Gore Draw." *Research in Political Sociology; Sociological Views on Political Participation in the 21st Century* 10:173-187.

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[i] Our election "nowcast" predicts what would happen if the election were held "now"—August 2012. We have been releasing these nowcasts in *The Monkey Cage*, beginning with the month of November 2011. The nowcast Proxy Model bases its prediction on our National Business Index (NBI), constructed from the Michigan Survey of Consumers (see Table 1 below for data and calculation).

[ii] For more theoretical development of the Jobs Model, see Lewis-Beck and Tien, 2008, 2009, *PS: Politics and Political Science*.

Table 1. The Proxy Model, Nowcasting the 2012 US Presidential Election

	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	June 2012	July 2012	Aug 2012
Better*	40	48	42	34	22	22	22	27	36	44
Worse*	48	46	48	58	69	68	67	64	52	47
NBI $_{t-6}$**	-8	2	-6	-24	-47	-46	-45	-37	-16	-3
Nowcast for Obama***	51.0	51.9	51.1	49.6	47.4	47.5	47.6	48.34	50.23	51.4

* Data from Survey of Consumers, University of Michigan, Table 12: Current Business Conditions Compared to a Year Ago. *The Question was:*
Would you say that at the present time business conditions are better or worse than they were a year ago?
** NBI is percent who answered better minus percent who answered worse.
*** Nowcast was calculated from following equation:

$$\text{Incumbent Party Popular Vote}_{\text{current month}} = 51.67 + .09 \text{ NBI}_{t-6}$$

Table 2: Jobs Model , Nowcasting 2012 (Most Recent Available Data, Same Lag Structure as Final Model).
For Popularity, November election is forecast in September using July data (4 month lag).
For GNP, 4th quarter election is forecast using 1st and 2nd quarter data (two quarter lag).
For Jobs, November election is forecast using June data (5 month lag).

	Jobs Model coeff.	Feb. Forecast	March	April	May	June	July Forecast	Aug.
Constant	32.74	1	1	1	1	1	1	1

Popularity	0.25	41 (Oct)	43 (Nov)	43 (Dec)	46 (Jan)	46 (Feb)	45 (Mar)	47 (Apr)
GNP*Elected	1.52	1.15 (2011 Q2-Q3)	1.15 (2011 2Q-3Q)	0.46 (2011 3Q-4Q)	0.46	0.46	0.39 (2011 4Q – 2012 1Q)	0.39
Jobs	0.51	.03 (Sept)	.39 (Oct)	.45 (Nov)	.17 (Dec)	-0.35 (Jan)	0.18 (Feb)	0.69 (Mar)
Incumbent Advantage	2.17	1	1	1	1	1	1	1
Forecast (lagged data)		46.94	47.61	46.59	47.20	46.93	46.84	47.60