



# Trading Obama: 2008 Democratic Primary Delegates and Election Markets

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## Abstract:

The research question of this research is to determine why Barack Obama won the 2008 Democratic primary election. The theory is that winning delegates caused an increase in Obama's electronic market price because he generated momentum throughout the primaries. I used data from the New York Times and the University of Iowa to test the theory. After testing, the theory was embraced and the relationship between delegates and market price was confirmed.

## Introduction:

Momentum is the increase of attention and support a candidate receives during the election and is widely viewed as key in winning an election or nomination. Extensive research has been done on momentum at every level of the United States government, but my research question is specifically focused on the affect it had on Barack Obama in 2008. I viewed momentum as the odds of Barack Obama winning the nomination. Generating momentum is, essentially, the constant improvement of odds by a candidate throughout the campaign. For this research, I used the University of Iowa's electronic prediction markets to represent how well Obama was performing on a given date. In the electronic markets, traders buy and sell the shares of candidates based on who is expected to win.

## Theory:

My theory is that winning delegates caused an increase in the market price of Barack Obama in 2008 because momentum is key in winning elections. The independent variable of my theory is number of delegates, who are awarded to the winner of the Democratic primary or caucuses in each state. Delegates vote at the Democratic National Convention, and a simple majority of the Democratic delegate votes are needed to win the nomination. The dependent variable of my theory is the price of Barack Obama's market share on the University of Iowa's electronic markets. After testing my theory, I found that delegates are directly related to the price of Barack Obama's market price. As Obama won primaries and gain delegates, his price also increased as he gained traction and became more likely to win the nomination.

## Conclusion:

After testing and analysis, the theory that winning delegates caused the market price to rise during Barack Obama's 2008 Democratic primary campaign was confirmed. I analyzed Obama's delegate count throughout the campaign with his market prices and found that there was a statistically significant relationship between the two variables. The relationship between the variable are quite obvious, even when just comparing the individual line graphs of the variables. At the beginning of the campaign, Obama's market price is around \$0.40, but it quickly rises to about \$0.80 after the Super Tuesday elections as a result of his massive increase in delegates. After Super Tuesday, the market price reflects the momentum Obama was able to generate as the price remains consistently high for the duration of the elections. One caveat of this research is that it only considers delegates as the driver of market price when there can be other influences. This evident in the fact that while the delegate total remained constant for periods of time, the market prices continued to change.

## Data/Methods:

I collected my data on Barack Obama's delegates from The New York Times' 2008 Delegate Count. The New York Times' delegate count, unlike other news organizations, features a "hard" pledged count of only delegates that have been officially selected, excluding projections for nonbinding votes of delegates. The dependent variable of my theory is Barack Obama's price in the electronic election market. I chose market prices as my dependent variable as a way to gauge how well the president was doing according to the electorate, specifically traders on election markets. The data used on the election markets are provided by the University of Iowa, which hosted markets and tracked the prices of each candidate every day. The University of Iowa provides the daily volume of units purchased, amount of money spent, and the low, high, average, and the last prices of each day.

