

'Bread and Peace' and 'Bread and Incumbency' Models for the 2012 US Presidential and House Elections

Douglas A Hibbs

Bread and Peace in History

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- ▶ *“Two questions now take precedence over all other political questions—the question of bread and the question of peace. ... Peace and bread, the overthrow of the bourgeoisie, revolutionary means for the healing of war wounds, the complete victory of socialism – such are the aims of the struggle.”* –V.I. Lenin (leader of the Bolsheviks), 1917

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- ▶ *“When senior Pentagon officials and military officers discuss how the United States might intervene in the world, the likelihood of combat and the probable magnitude of U.S. casualties are invariably dominant in their deliberations.”*
–Edward N. Luttwak (historian, specialist in military affairs), 1996

A Two Factor Model Based on Objectively Measured Political-Economic Fundamentals: Bread and Peace

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- ▶ (1) Weighted-average growth of per capita real disposable personal income over the term, and
- ▶ (2) Cumulative US military fatalities owing to unprovoked, hostile deployments of American armed forces in foreign wars.
- ▶ No other objectively measured exogenous factor systematically affects postwar aggregate votes for president.

Factor 1: Bread

- ▶ Economic performance is generally the dominant factor. The incumbent party is rewarded for good real income growth performance and punished for poor performance, with growth rates closer to the election date receiving more weight than outcomes earlier in the term. Voting is mainly retrospective (V.O. Key Jr., 1966).

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- ▶ Growth of per capita disposable personal income is the broadest single aggregate measure of changes in voters' economic wellbeing in as much as it includes income from all market sources, is adjusted for inflation, taxes, government transfer payments to households and population growth, and it is correlated with changes in unemployment and per capita GDP.

- ▶ Accordingly, electorally relevant economic performance is best measured by a weighted-average of (annualized, quarterly) growth rates of per capita disposable personal income, computed from the election quarter back to the first full quarter of each presidential term.

Factor 2: Peace

- ▶ The second factor systematically affecting postwar aggregate votes for president is US military fatalities owing to unprovoked, hostile deployments of American armed forces in foreign conflicts not sanctioned by a formal Congressional declaration of war – namely the military interventions in Korea, Vietnam, Iraq and Afghanistan.

Factor 2: Peace

- ▶ The second factor systematically affecting postwar aggregate votes for president is US military fatalities owing to unprovoked, hostile deployments of American armed forces in foreign conflicts not sanctioned by a formal Congressional declaration of war – namely the military interventions in Korea, Vietnam, Iraq and Afghanistan.
- ▶ My research shows that the electoral penalties exacted by such unprovoked wars affect the presidential vote of party initiating the commitment of US forces – the Republicans for Iraq, and the Democrats for Korea, Vietnam and most recently Afghanistan – and those vote penalties are proportionate to the cumulative number of American military fatalities (scaled to US population size) over the presidential term.

- ▶ My research also shows that Presidents inheriting unprovoked foreign wars are given a 1-term grace period before US fatalities begin to negatively affect the incumbent vote share in presidential elections. Hence Nixon's vote in 1972 was not significantly affected by US fatalities in Vietnam during his first term because the Vietnam war was inherited from Kennedy-Johnson, and Obama's vote in 2012 will not be significantly affected by fatalities in Iraq because the Iraq war was inherited from GW Bush. (Evidence: see Hibbs, *Public Choice*, 2000 and 2008 and Hibbs, in progress)

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- ▶ The Bread and Peace model regards American fatalities in Afghanistan under GW Bush following "9/11" as owing to a provoked commitment of US forces and, therefore, unlike Iraq fatalities in Afghanistan did not detract from Bush's vote in 2008.

- ▶ However US fatalities in Afghanistan beginning under President Obama's prolonged "war of necessity" against the Taliban more than seven years later are treated as owing to an unprovoked foreign war, and as a result under the Bread and Peace model those fatalities will negatively affect the Democrat party's presidential vote in the 2012 election.

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- ▶ Fatalities exert no systematic influence on aggregate congressional election outcomes.

Other Factors

- ▶ Other factors of course influence presidential voting, at times so dramatically that the persistent signal of objective 'bread and peace' fundamentals may be obscured. However such events are idiosyncratic rather than systematic, they vary randomly from election to election, and they defy ex-ante objective measurement.

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- ▶ As we shall see, more than a few academic models also include, and indeed are sometimes dominated by, fanciful ad-hoc terms.

Objective of the Bread and Peace Model

The Bread and Peace model is designed to *explain* presidential election outcomes in terms of objectively measured political-economic fundamentals, rather than to *predict* optimally election results, or to track them *statistically* after the fact. The objective is to pin down quantitatively the impact of persistent fundamental determinants on the incumbent party's aggregate vote.

No Dummies, Counts or Trend Terms

(No statistical junk)

- ▶ Hence the Bread and Peace model includes no arbitrarily coded dummy, count, trend and related time-coded variables, which are not objective measurements of policies and performance affecting voters.

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- ▶ Attitudinal variables are endogenous; they are affected by objective fundamentals and, consequently, their statistical effects supply no insight into the root causes of voting behavior, even though they may provide good predictions of voting results.

Use Betting Odds Data for Optimal Election Predictions

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- ▶ Like models driven by time-coded variables and opinion poll variables, betting odds data of course *explain* nothing. Instead they reveal the judgment of market participants – punters who lay money on the table (sometimes very big money) and accordingly have strong incentive to process efficiently all available information relevant to predicting elections.

Bread and Peace Model Mechanics

- ▶ The Bread and Peace model is written:

$$Vote_t = \alpha + \beta_1 \left(\sum_{j=0}^{14} \lambda^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^{14} \lambda^j \right) \right) + \beta_2 Fatalities_t$$

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- ▶ *where:*
- ▶ *Vote* is the percentage share of the two-party vote for president received by the candidate of the incumbent party.

- R is per capita disposable personal income deflated by the Consumer Price Index, $\Delta \ln R_t$ is the quarter-to-quarter percentage change expressed at annual rates and is computed $\ln(R_t/R_{t-1}) \cdot 400$, $\lambda \in (0, 1)$ is a lag weight parameter determining the electoral effect of real income growth rates just before the election as compared to growth rates earlier in the term, and the reciprocal of the sum of the lag weights $\left(1 / \sum_{j=0}^{14} \lambda^j\right)$ scales the real income growth rate sequence $\Delta \ln R_t + \lambda \Delta \ln R_{t-1} + \lambda^2 \Delta \ln R_{t-2} + \dots + \lambda^{14} \Delta \ln R_{t-14}$ so that the coefficient β_1 represents the effect on the incumbent vote share of each percentage point of weighted-average, annualized, quarter-to-quarter real income growth sustained over the presidential term.

- ▶ *Fatalities* denotes the cumulative number of American military fatalities per million US population in Korea, Vietnam, Iraq and Afghanistan during the presidential terms preceding the 1952, 1964, 1968, 1976 and 2004, 2008 and 2012 elections.

Bread and Peace Equation Estimates

Dependent variable: incumbent two-party vote share (%)	N=15 elections 1952-2008	
$R^2 = .89$	Adj. $R^2 = .86$	Root MSE = 2.2
	<u>Coefficient estimate</u>	<u>std. error p-value</u>
Constant (α)	45.7	1.1 0.00
Weighted-average per capita real income growth rate, % (β_1)	3.64	0.56 0.00
Lag weight (λ)	0.90	0.05 0.00
US military fatalities per million population (β_2)	-0.05	0.01 0.00

Interpretation of Coefficients

$$Vote_t = 45.7 + 3.6 \left(\sum_{j=0}^{14} 0.9^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^{14} 0.9^j \right) \right) - 0.05 \text{ Fatalities}$$

Real income growth rate effect, ΔR

- ▶ $\widehat{\beta}_1 = 3.6$ implies that each percentage point of growth in per capita real disposable personal income sustained over a presidential term boosts the in-party candidate's vote share by about 3.6 percentage points above a benchmark constant of approximately 46 percent.

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Lag weight (electorally relevant political memory)

- ▶ The weighting parameter estimate $\hat{\lambda} = 0.9$ implies that the real income growth rate in the last full quarter before an election (q3 of election years) has more than three times the electoral impact of income growth in the first full quarter of the term: $.9 / .9^{14} = 3.4$.

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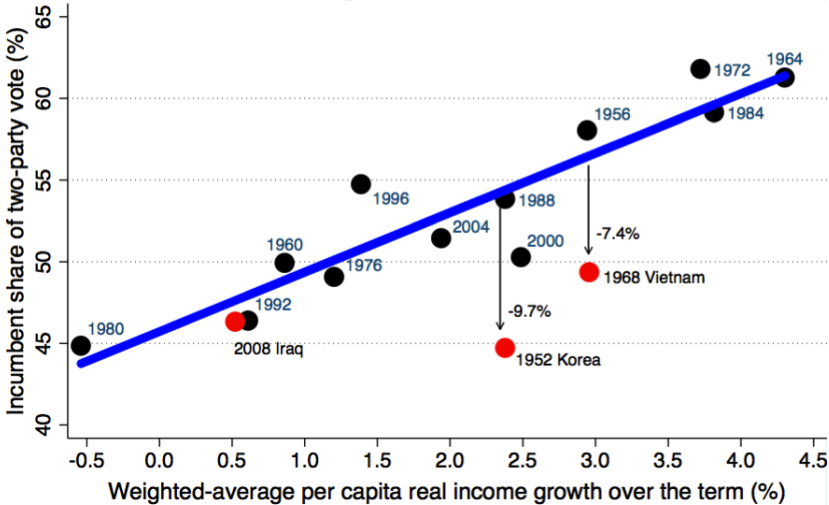
Fatalities effect

- ▶ The fatalities coefficient estimate $\widehat{\beta}_2 = -0.05$ means that each unit increment to US military fatalities per 100 million population owing to hostile deployments of American armed forces in unprovoked wars depresses the incumbent party's presidential vote by about 5 percentage points.

Real Income Growth

2008 Iraq war effect is < 1%

Bread and Peace Voting in US Presidential Elections 1952-2008

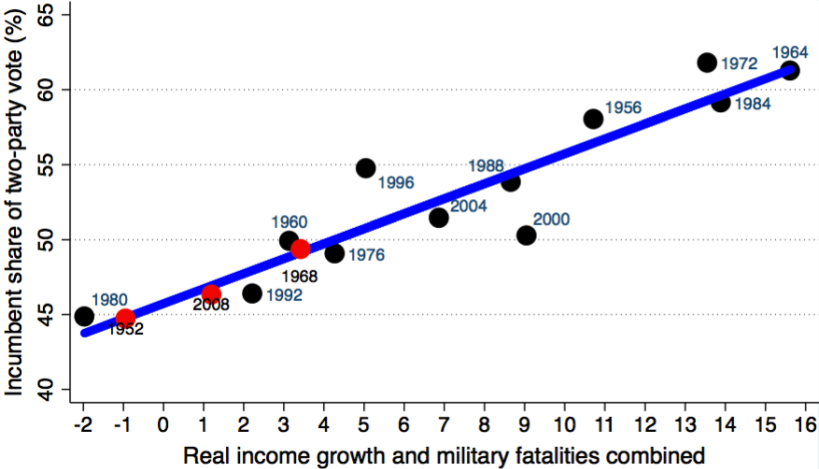


Regression line and war effects computed from Bread and Peace equation estimates.
Source: www.douglas-hibbs.com October 27 2011

Real Income Growth and Fatalities Combined

Main war years are shown in red

Bread and Peace Voting in US Presidential Elections 1952-2008



Combination of real growth and fatalities weights each variable by its estimated coefficient. Estimated effects of fatalities on vote shares: -0.7% in 2008 (Iraq), -7.4% in 1968 (Vietnam), -9.7% in 1952 (Korea); negligible in 1964, 1976, 2004, and null in other years.
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Remarks

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- ▶ Notice that even the two elections regarded as the most “ideological” in postwar American presidential politics – 1964 and 1980 – are explained perfectly by real income growth over the presidential term.

- ▶ In 1964 the Democratic Party incumbent Lyndon Johnson, the most important agent of American welfare-state liberalism since Franklin Roosevelt, faced Barry Goldwater, the godfather of modern American conservatism. Johnson won with 61.3% of the vote, one of the biggest margins in US presidential election history.

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- ▶ The result was widely viewed as a popular rejection of Goldwater's alleged right-wing views on the Federal Government's proper role in society and economy and his bellicose posture on America's Cold War rivalry with the Soviet Bloc.
- ▶ Yet one need not appeal to such grand ideological themes to explain the 1964 election result – Johnson's landslide victory conforms exactly to the historical connection between presidential voting outcomes and real income growth.

- ▶ In 1980 the incumbent Jimmy Carter faced Ronald Reagan, Goldwater's successor as the icon of the Republican Party's conservative wing. Unlike the Goldwater-LBJ contest in 1964, this time the arch conservative Reagan trounced the liberal Democrat Carter. The election was commonly interpreted in the media as signaling a fundamental "shift to right" among American voters.

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- ▶ Yet again one need not appeal to grand ideological themes: As shown by the graph, Carter's big loss (he received only 44.8% of the vote – tied for the worst election showing by an incumbent party presidential candidate during the postwar era) was the predictable consequence of poor weighted-average real income growth over the 1977-80 term.

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- ▶ Those deviations are explained by the second fundamental determinant of votes for president: American military fatalities in unprovoked foreign wars.
- ▶ High cumulative US military fatalities in Korea at the time of the 1952 election (29,260 or 190 per million population), and in Vietnam at the 1968 election (28,900 or 146 per million population), most likely caused Adlai Stevenson's loss to Dwight Eisenhower in 1952 by depressing the incumbent party's presidential vote by almost 10 percentage points, and it almost certainly caused Hubert Humphrey's loss to Richard Nixon in 1968 depressing the incumbent party's vote by more than 7 percentage points. Absent America's interventions in the Korean and Vietnamese civil wars, the strong real income growth record prior to those elections (particularly in 1968) should easily have kept the Democrats in the White House.

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- ▶ In like fashion the 1972 vote for Richard Nixon (who inherited American involvement in the Vietnamese civil war from Lyndon Johnson) was unaffected by the large (but declining) number of US fatalities in Vietnam after Nixon assumed office in 1969.

- ▶ Cumulative fatalities in Iraq preceding the 2008 election (4,200 or 14 per million population) were too small to contribute decisively to Obama's victory. According to the point estimate for the effects of Fatalities, the Iraq war lowered the 2008 Republican vote only by around seven-tenths of a percentage point.

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- ▶ In principle, military fatalities due to discretionary American involvement in foreign conflicts were also relevant to the 1964, 1976 and 2004 election contests, but the impact on aggregate votes was negligible because the fatality numbers were small. At the 2004 election, for example, US military fatalities in Iraq stood at 1,130 (3.9 per million population) – too few to exert great negative effect on the vote for Bush.

- ▶ The only postwar presidential election results not well accounted for by the Bread and Peace model are 1996 and 2000. In 1996 the vote received by the incumbent Democrat Clinton was 4% higher than expected from political-economic fundamentals, whereas in 2000 the vote for the incumbent Democratic Party candidate Gore was 4.5% less than expected from fundamentals.

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- ▶ One might conjecture that idiosyncratic influence of candidate personalities took especially strong form in those elections – with the ever charming Bill Clinton looking especially attractive when pitted against the darkly foreboding Bob Dole in 1996, and the unfailingly wooden Al Gore paling by comparison to an affable George Bush in 2000.

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- ▶ That line of reasoning is of course entirely ad hoc and without any scientific standing.

The 2012 Presidential Election

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October 3, 2011.

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- ▶ But how much of an underdog?
- ▶ And might Obama's fortunes turn around?

The Situation So Far

- ▶ During the first ten full quarters of President Obama's term – 2009:q2 to 2011:q3 – the annualized, weighted-average growth rate of per capita real income was -0.4%, which is way below the post-1948 average growth rate of 1.8%.

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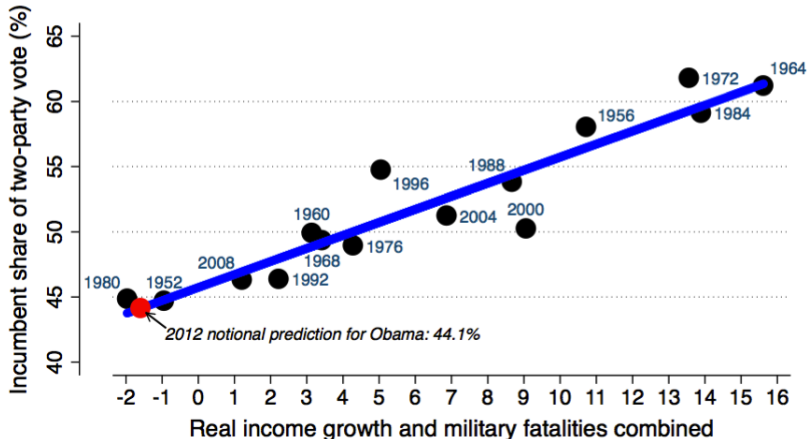
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- ▶ As depicted in the graph below, according to the Bread and Peace model if the presidential election was held under those conditions the *notional* vote share going to the incumbent party candidate (Obama) would be only 44.1%:

$$44.1\% \approx 45.7 + 3.6 \cdot (-0.4) - 0.5 \cdot 3.8$$

Bread and Peace Voting in Presidential Elections 1952-2012

2012 Obama prediction based on conditions through 2011:q3



Combination of real growth and fatalities weights each variable by its estimated coefficient. Estimated effects of fatalities on vote shares: -0.7% in 2008 (Iraq), -7.4% in 1968 (Vietnam), -9.7% in 1952 (Korea); negligible in 1964, 1976, 2004, 2012 (so far), and null in other years. Source: www.douglas-hibbs.com October 27 2011

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- ▶ I'll make the plausible assumption that American military fatalities in Obama's "war of necessity" in Afghanistan continue running at the (politically relatively low) average quarterly rate of the past two years – 118 or 0.38 per million population. At election day cumulative Fatalities then would amount to about 1640 or 5.3 per million population, a number that would detract only negligibly from Obama's expected two-party vote share: -0.27 percentage points ($-0.27 = -0.05 \times 5.3$).

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- ▶ Given my assumption about the flow of US fatalities, growth rates of per capita real disposable personal income from 2011:q4 to 2012:q4 will be the deciding as yet unrealized factor in the 2012 presidential election.

- ▶ Calculations shown in the table below indicate that per capita real income growth must average out at 4 about percent or more per year over the last 4 quarters of the term for Obama to have a strong chance of re-election.

Obama's 2012 Expected Two-Party Vote Share at various real income growth rates 2011:q4 - 2012:q4						
Hypothetical per capita real income growth rates 2011:q4 - 2012:q4:	-4	-2	0	2	4	6
⇒ Resulting weighted-average real income growth rate over the presidential term:	-2.1	-1.2	-0.2	0.8	1.7	2.7
⇒ Expected two-party vote share (assuming cumulative fatalities \approx 1640 or 5.3 per million population):	37.8%	41.2%	44.7%	48.2%	51.7%	55.2%

Remarks:

- ▶ If the US economy gets into robust recovery mode, real income growth could be high enough to secure the President's re-election.

- ▶ However, the pace of recovery from the 2008 Great Recession remains sluggish, and the famous 2009 book *This Time Is Different: Eight Centuries of Financial Folly* by Reinhart and Rogoff documents that recoveries from contractions originating with the bursting of speculative financial bubbles are not V-shaped as in garden-variety recessions, but instead are typically prolonged U-shaped affairs lasting 5 to 6 years.
- ▶ The statistical properties of the time path of US per capita real disposable personal income indicate that the chances of year-long quarterly growth rates on the order of 4% or higher are no better than 1/7.
- ▶ Yet remember that every election is affected to some degree by idiosyncratic factors, which at times are important enough to overwhelm the persistent influence of fundamentals. Indeed idiosyncratic events contribute a lot of the fun to political affairs and their unexpected appearance and impact from one election to the next are why many of us follow election cycle developments so carefully in the media.

- ▶ I believe that the best predictions of 2012 election results, as of earlier elections, will almost surely be delivered by price data at thick-market betting sites like *Intrade* (which of course contribute nothing to explanation). At the end of October 2011 *Intrade* prices implied that President Obama had a 49.2% chance of being re-elected, a decline from the 61% chance indicated by *Intrade* betting prices at the end of May 2011 (at which time the Bread and Peace model's notional prediction of a 46.2% incumbent vote share implied that President Obama's chances were far more doubtful).

The Partisan Division of House Seats in 2102

Implications of the Two-Factor 'Bread and Incumbency' Model

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- ▶ (2) The number of House seats won by the President's party at the previous midterm election, which registers the powerful impact of institutional advantages enjoyed by incumbents in the US single-member district, constituency service-oriented legislative system.
- ▶ No other factor, objectively measured ex-ante, systematically affects on-year House election outcomes.

- ▶ In particular, unlike the case with votes for president, military fatalities exert no systematic influence on the aggregate partisan division of House seats. Only presidential voting outcomes are affected by fatalities owing to unprovoked, hostile deployments of American armed forces in foreign conflicts, unsanctioned by a congressional declaration of war.
- ▶ Political responsibility for American fatalities in Afghanistan will be attributed to President Obama, not the Congress.

The On-Year House Equation

The Two-Factor *Bread and Incumbency* equation for the partisan division of House seats is written

$$Seats_t = \alpha + \beta \left(\sum_{j=0}^7 \lambda^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^7 \lambda^j \right) \right) + \rho Seats_{t-8}$$

where

$Seats_t$ denotes the number of House seats won by the president's party at presidential election periods.

$Seats_{t-8}$ is the number of won by the president's party at the previous midterm election eight quarters ago.

$\Delta \ln R$ is the quarter-on-quarter percentage rate of growth of per capita real disposable personal income, expressed at annual rates.

On-Year House Equation Estimates

$$Seats_t = \alpha + \beta \left(\sum_{j=0}^7 \lambda^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^7 \lambda^j \right) \right) + \rho Seats_{t-8}$$

Estimating the *Bread and Incumbency* equation for the fifteen House elections in presidential election years spanning 1952-2008 yields coefficient values and related statistics:

Coefficient Estimate:	$\alpha = 4.7$	$\beta = 6.4$	$\lambda = .8$	$\rho = .9$	$Adj.R^2 = .89$
Std. Error p-value:	(20.4 .82)	(1.8 .00)	(.19 .00)	(0.9 .00)	$Root\ MSE = 13$

Interpretation of Coefficients

$$Seats_t = 4.7 (\simeq 0) + 6.4 \left(\sum_{j=0}^7 .8^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^7 .8^j \right) \right) + .91 Seats_{t-8}$$

- ▶ $\beta = 6.4$ means that each percentage point of per capita real disposable personal income sustained over the Congressional term adds over 6 seats to the number held by party of the president.
- ▶ $\rho = .91$ means that the conditional probability of being re-elected to congress is better than 9/10. As the great scholar of Congress Richard Fenno observed in his famous 1978 book *Home Style*, voters often hate congress but they just love their home district representatives.

Democratic Party Prospects in the 2012 House Elections: The Situation So Far

- ▶ The Democrats won 193 seats in the 2010 House mid-term election, a loss of 63 from their 2008 on-year showing of 256 seats, which put the president's party in the minority for the 112th Congress.

Democratic Party Prospects in the 2012 House Elections: The Situation So Far

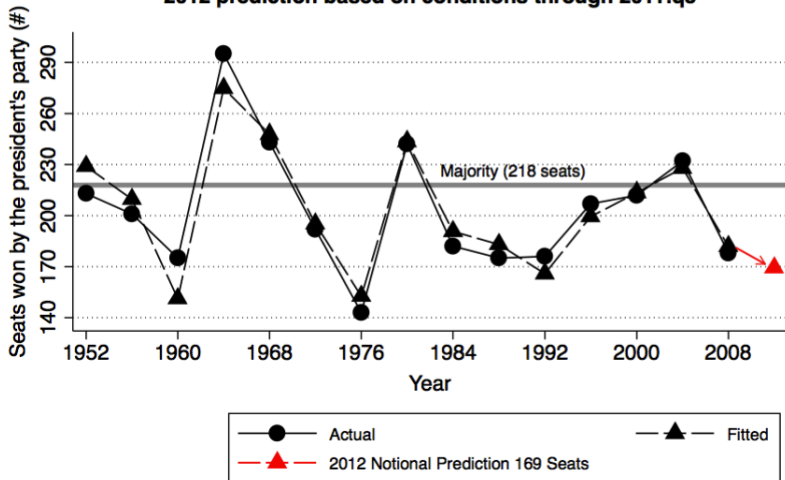
- ▶ The Democrats won 193 seats in the 2010 House mid-term election, a loss of 63 from their 2008 on-year showing of 256 seats, which put the president's party in the minority for the 112th Congress.
- ▶ Over the first 3 quarters of the 112th Congress – 2011:q1 to 2011:q3 – weighted-average growth of per capita real income was an anemic -1.8%.

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- ▶ Over the first 3 quarters of the 112th Congress – 2011:q1 to 2011:q3 – weighted-average growth of per capita real income was an anemic -1.8%.
- ▶ According to the *Bread and Incumbency* model an election held under such poor economic conditions would yield a *notional* number of seats going to the Democrats of just 169, as depicted in the graph below.

Bread and Incumbency Voting in On-Year House Elections, 1952-2012

2012 prediction based on conditions through 2011:q3



Source: www.douglas-hibbs.com October 27 2011

Expected Outcomes in the 2012 House Elections Under Possible Scenarios

What of course matters for the Democrat's House prospects are conditions at Election Day in 2012, not the *notional* outcome implied by the situation at the end of 2011:q3. The data in the table below indicate that according to the *Bread and Incumbency* model the prospect of the Democrats winning a bare majority of 218 seats in 2012 is nil, even under the unlikely economic conditions that could yield a comfortable Obama victory in the presidential contest.

Expected Number of House Seats Going to the Democrats in 2012 at various real income growth rates 2011:q4 - 2012:q3						
Hypothetical per capita real income growth rates 2011:q4 - 2012:q3:	-4	-2	0	2	4	6
⇒ Resulting weighted-average real income growth rate over the congressional term:	-3.5	-2.0	-0.4	1.1	2.6	4.1
⇒ Expected number of seats going to the Democrats – the president's party: (Change from 2010 mid-term election):	159 (-34)	168 (-25)	178 (-15)	188 (-5)	197 (+4)	207 (+14)

Remarks:

- ▶ Like the *Bread and Peace* model of votes for president, the *Bread and Incumbency* model paints a bleaker picture of the Democratic Party's chances for a House majority in 2012 than current betting price data do.
- ▶ At the end of October 2011 *Intrade* prices (from rather thin trading) implied that the chances of the Democrats winning a House majority in 2012 was 28.7% (and their chances of retaining a majority in the Senate was 25%).