

The Conditional Impact of Local Economic Conditions on Incumbent Support

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1 Motivation

2 Data

3 Results

4 Conclusion

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3 Results

4 Conclusion

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4 Conclusion

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2 Data

3 Results

4 Conclusion

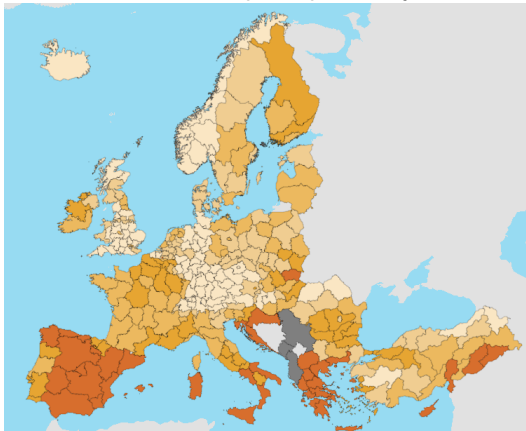
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2 Data

3 Results

4 Conclusion

RQ: Do citizens respond politically to local economic conditions?

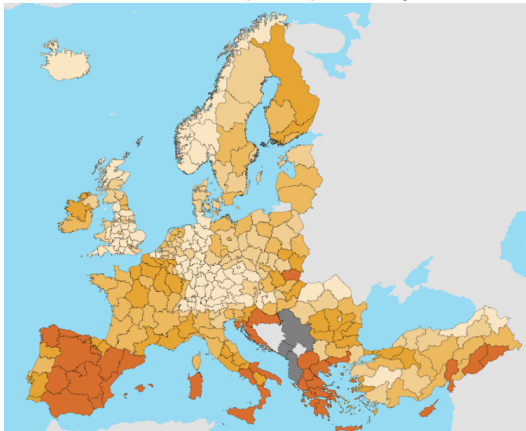


• Conflicting findings in existing literature

(1) The local economy has no impact on political election outcomes (e.g. *Howe & Hoxby, forthcoming*)

(2) Local economic conditions related to the housing market do not impact political election outcomes in the US (e.g. *Shaw & Shiller, 2012*)

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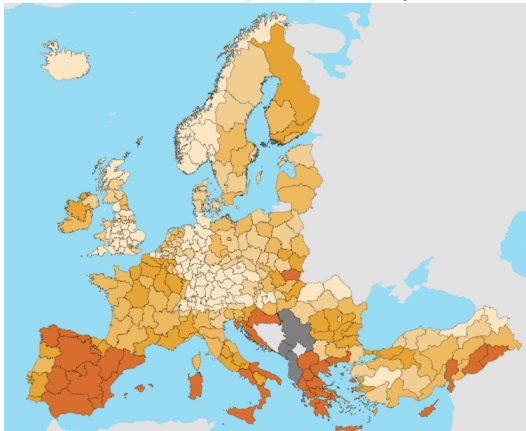


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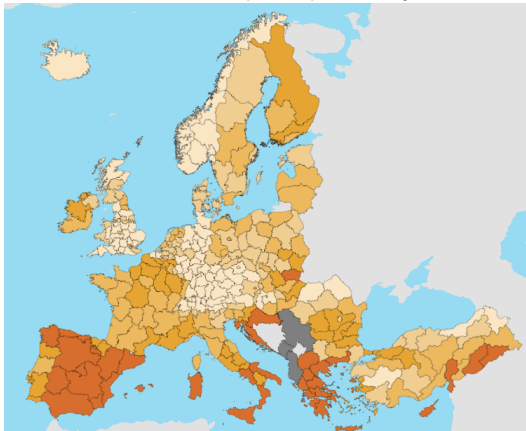


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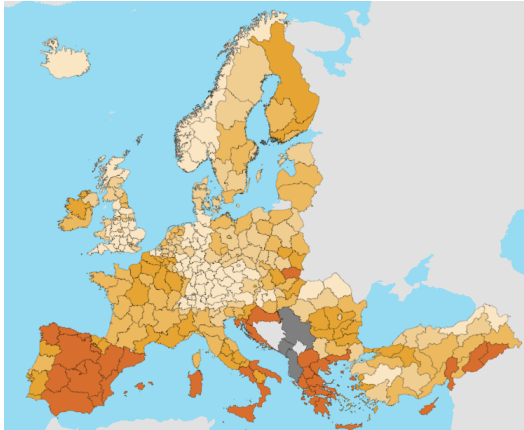


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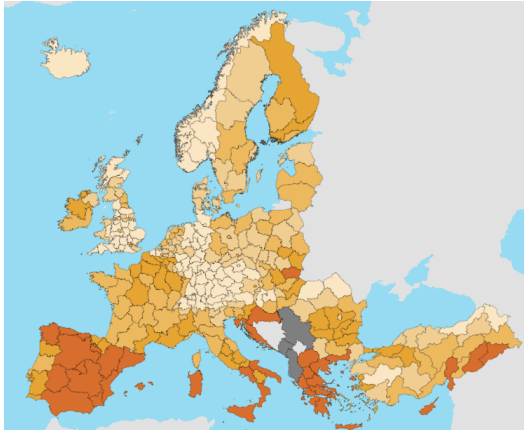


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- Our argument: conditional on *contextual priming* from local econ activity
- → citizens more responsive when local econ activity is salient
- focus on housing market (empirically important, high-quality local data)

»H1 (*Local economic conditions hypothesis*): When local house prices rise, individuals are more likely to support the incumbent government.«

»H2 (*Contextual priming hypothesis*): The association between changes in local house prices and support for the incumbent government is stronger when individuals are more exposed to local housing market activity.«

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2 Data

- Empirical setting
- Precinct-level data
- Individual-level data

3 Results

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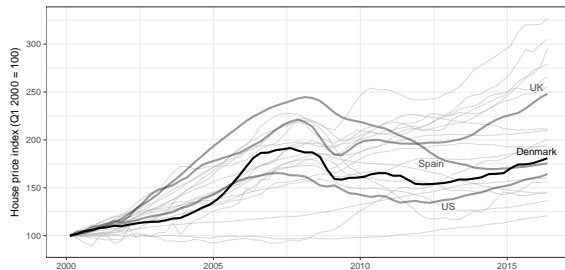
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Denmark ca. 2002 - 2015.

- experienced very volatile housing bubble
- detailed data from the public registries on local housing markets
- link the housing market data to voting behavior in two different data sets:

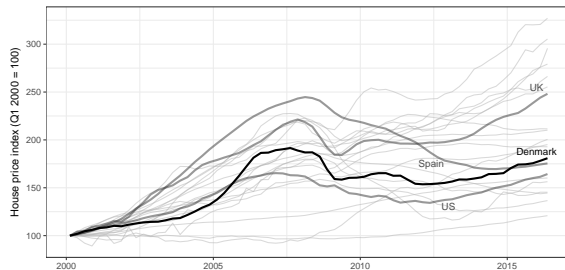
• the first data set is the Danish national two-wave panel survey of reported voting



Trends in real house prices. Source: The International House Price Database.

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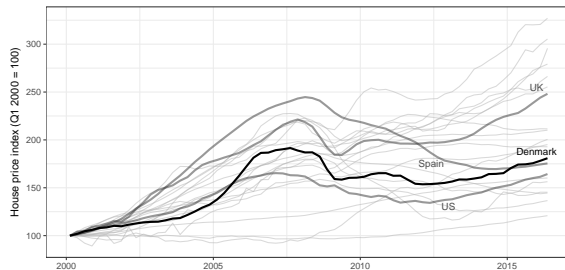
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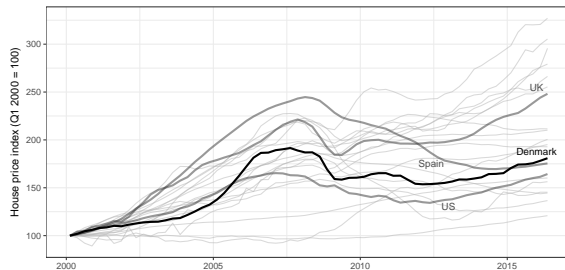
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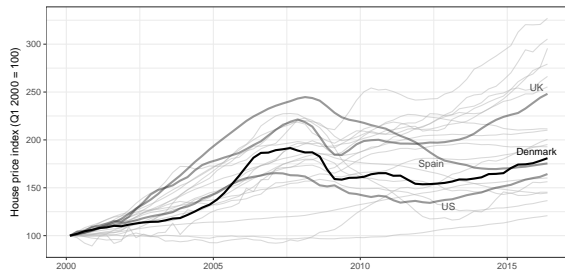
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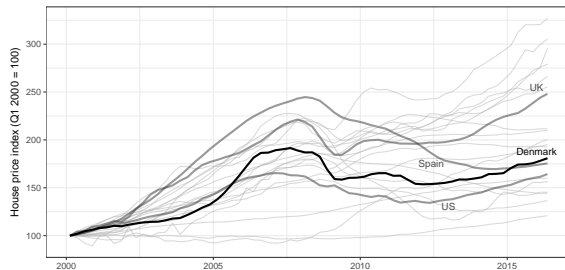
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DV: support for gov't parties at precincts across elections in '05, '07, '11, '15.
↪ smallest unit at which election outcomes are observed (3,000 voters on average)

IV: year-over-year change in the price of real-estate sold in precinct's zip code

salience measure: logged number of trades in precinct's zip code in most recent quarter

we link precincts to zip-codes by identifying the zip code of the precinct's polling place.
↪ we also have information on unemployment and median income in each zip-code.

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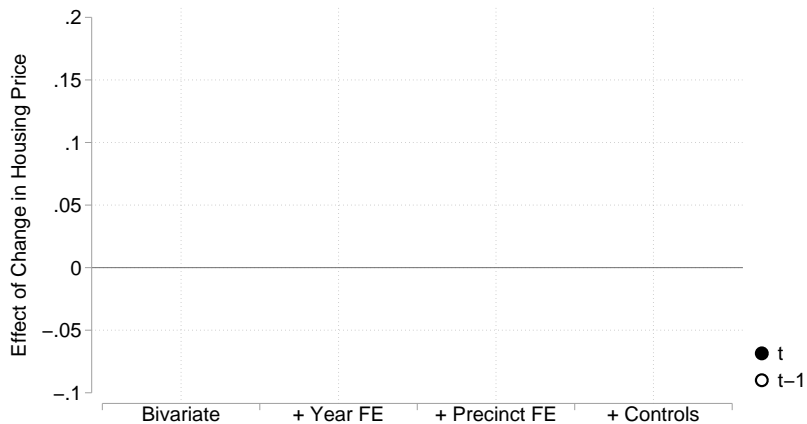
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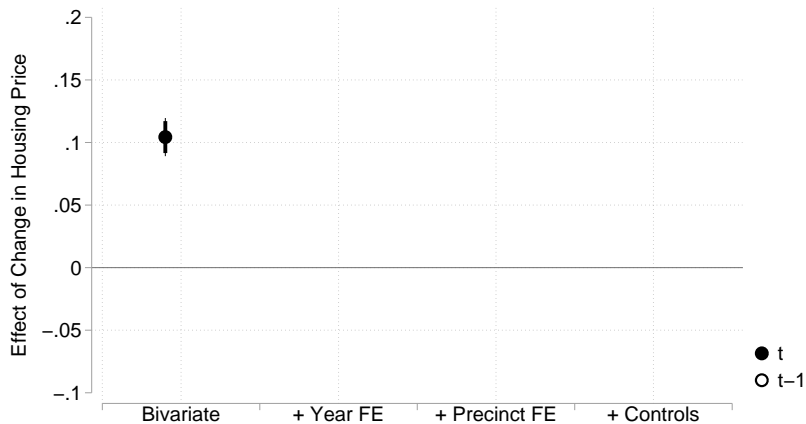
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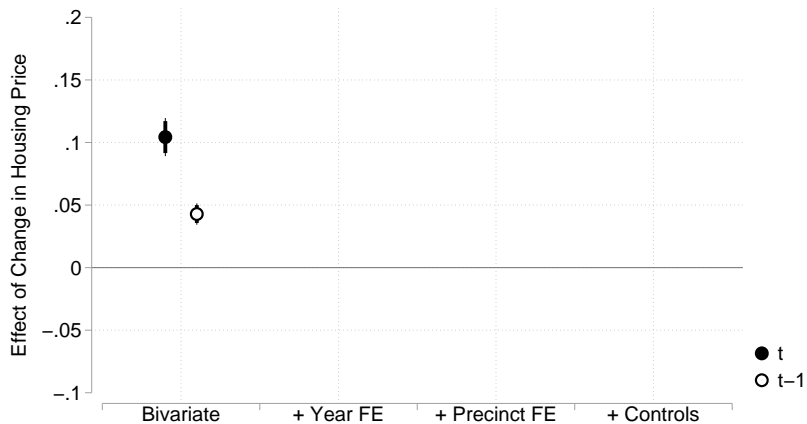
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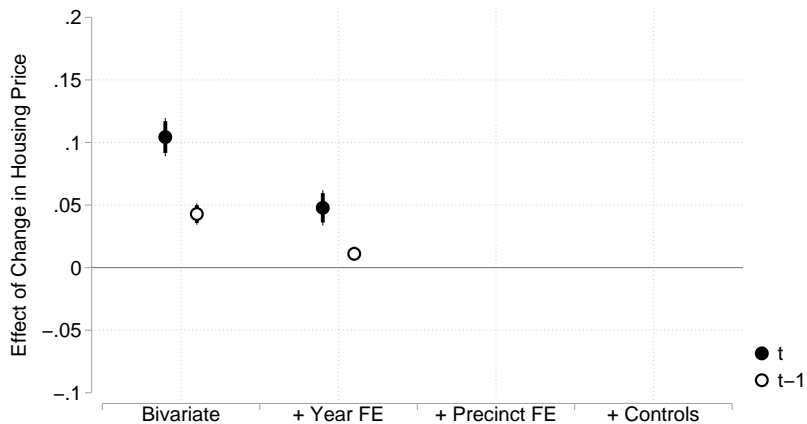
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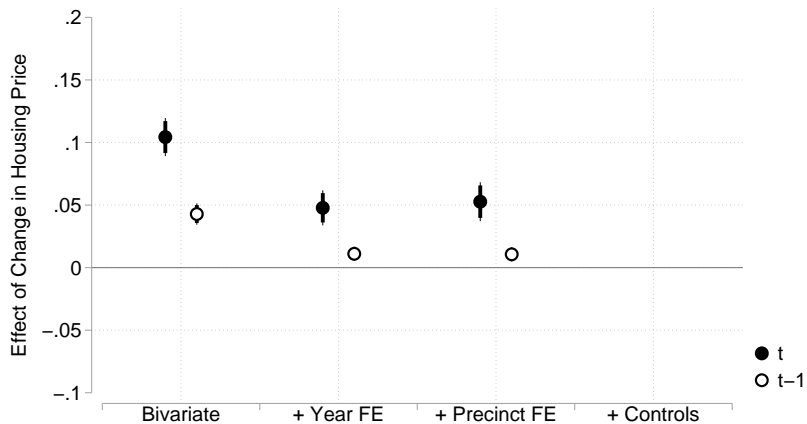
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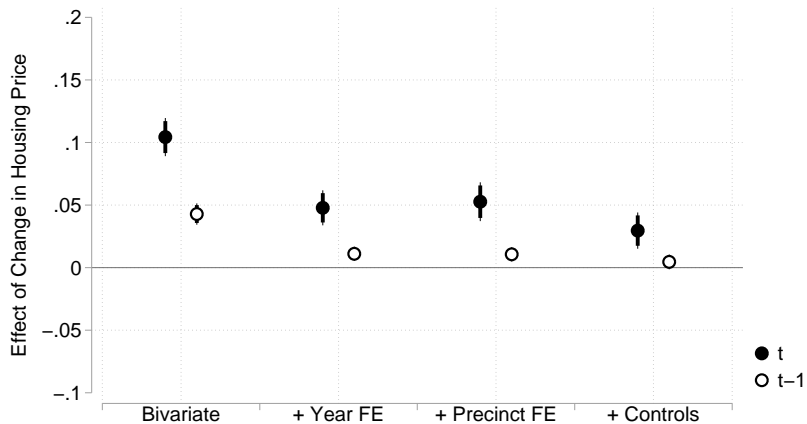












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DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

salience measure: individuals' temporal proximity to moving, before or after survey

we use a linear regr with fixed effects to estimate the effect of local housing prices.

~> controls: unemployment, income (personal, context)

~> use LPM as a link function.

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Motivation

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Individual-level data

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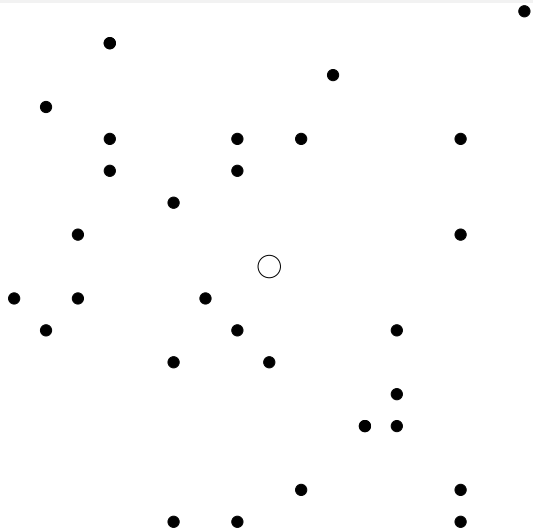
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Larsen et al.

Conditional Impact

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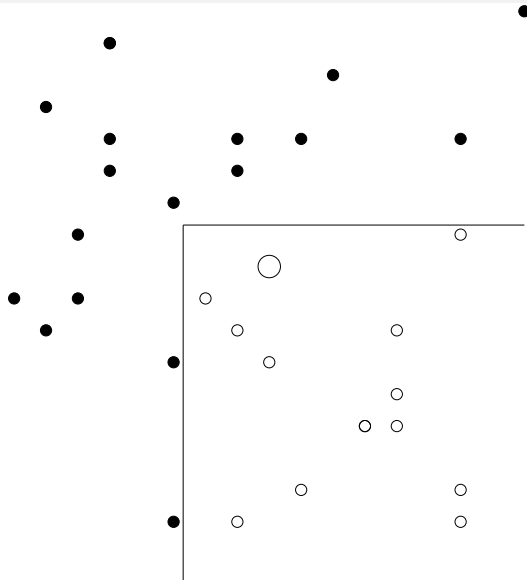
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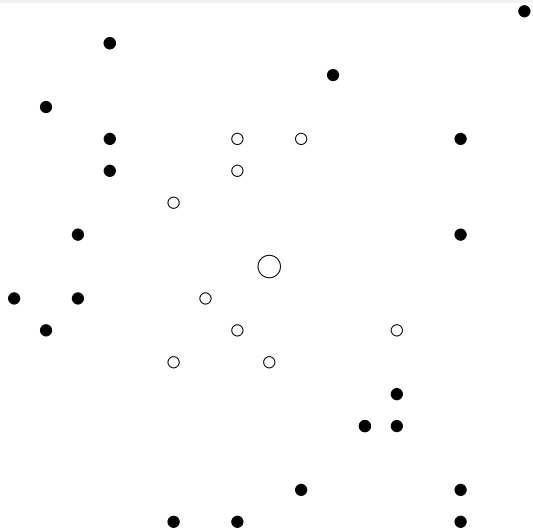
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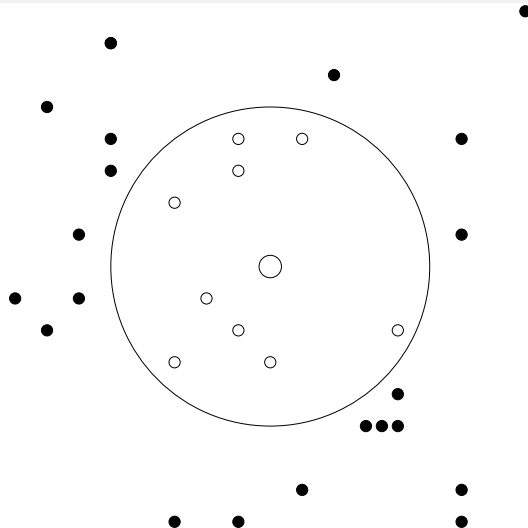
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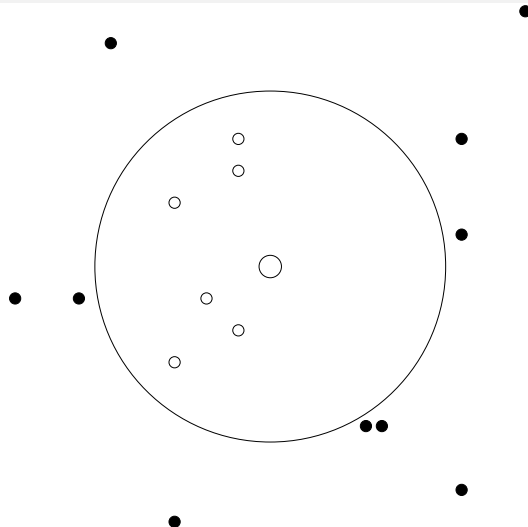
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Larsen et al.

Conditional Impact





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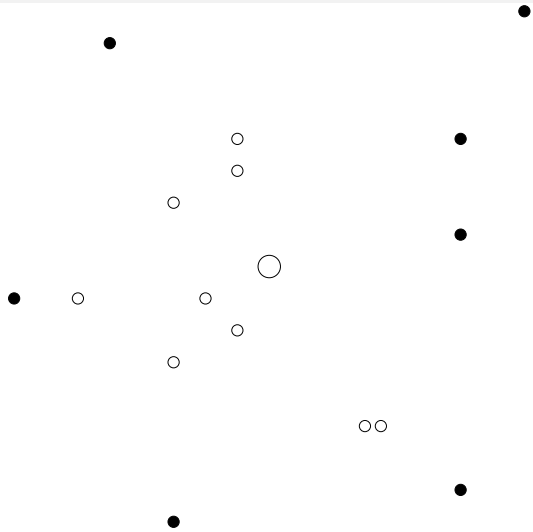
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Larsen et al.

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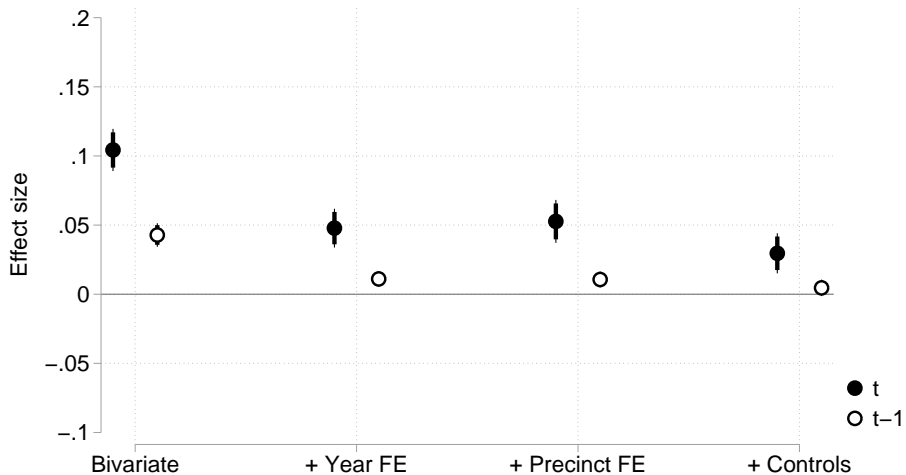
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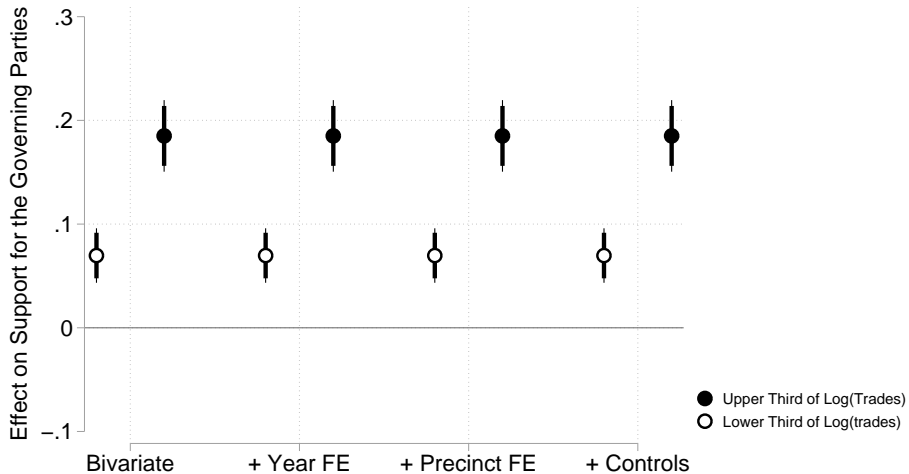
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H1:



H2:



1 Motivation

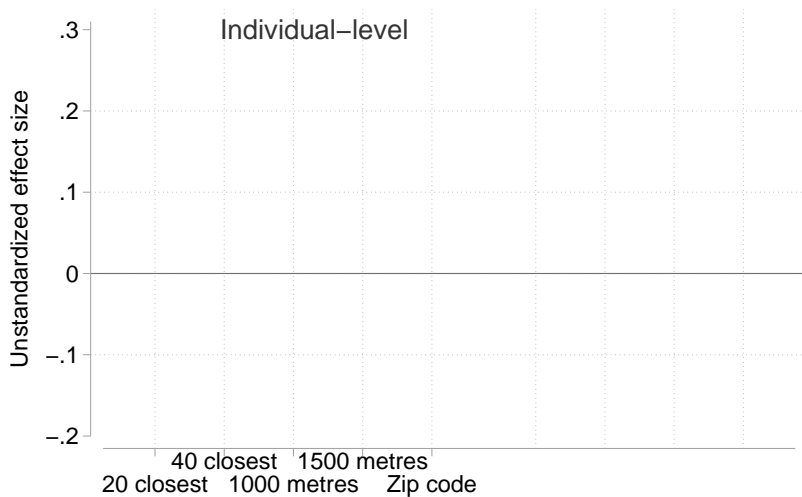
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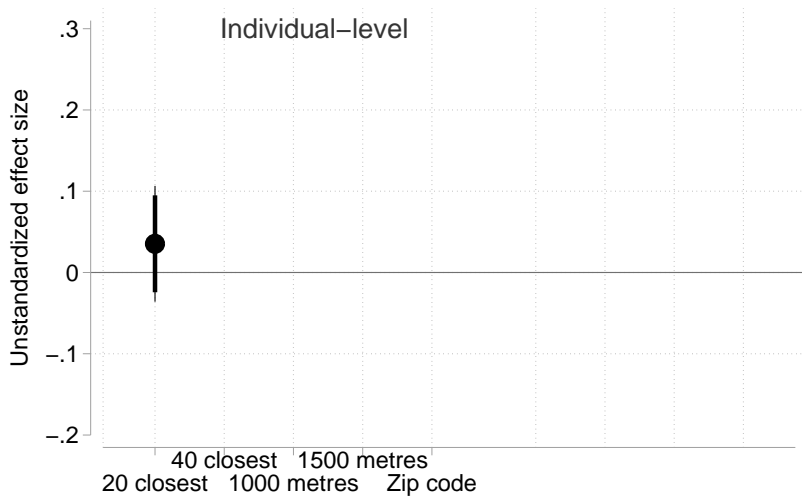
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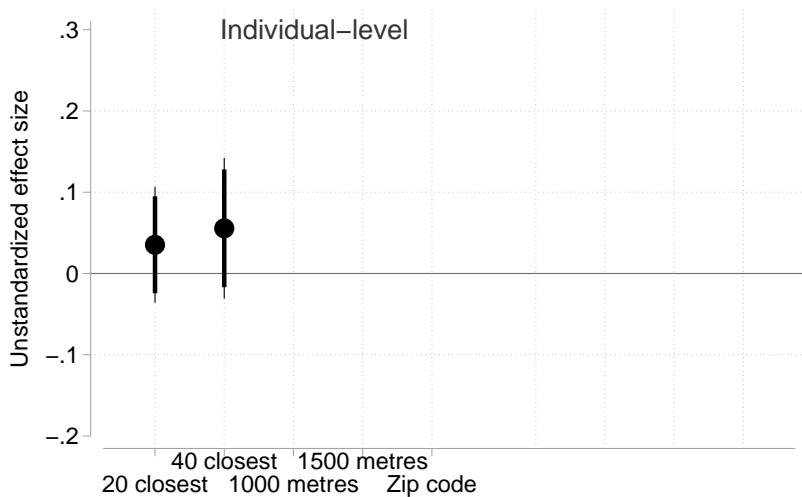
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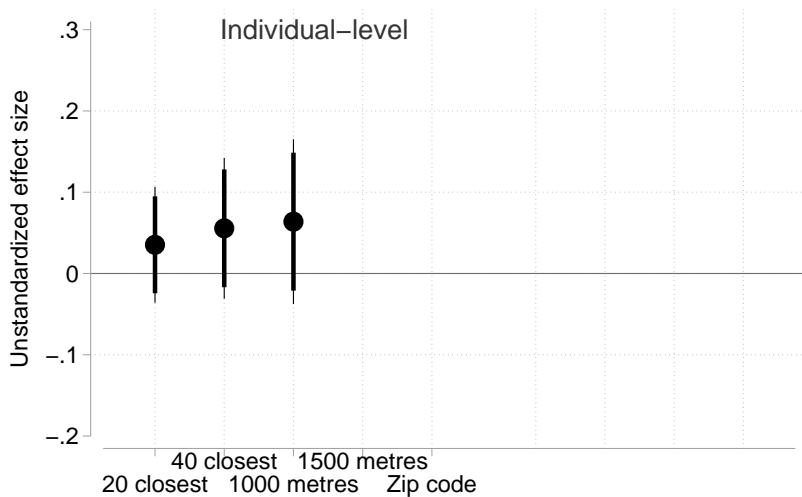
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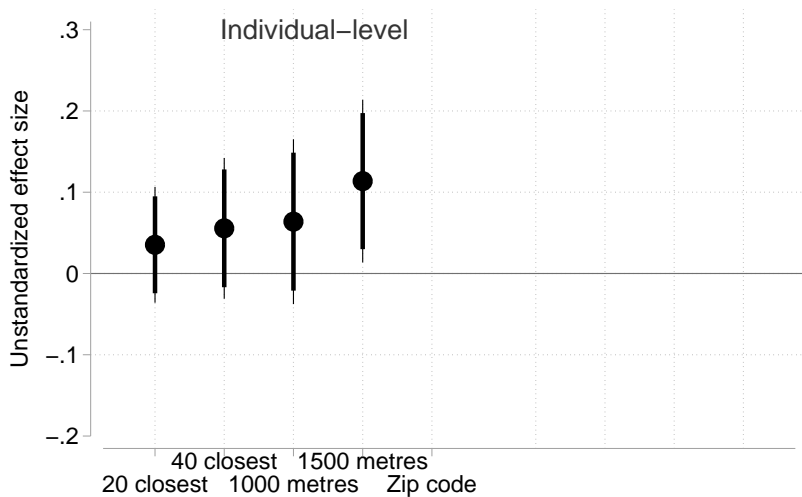
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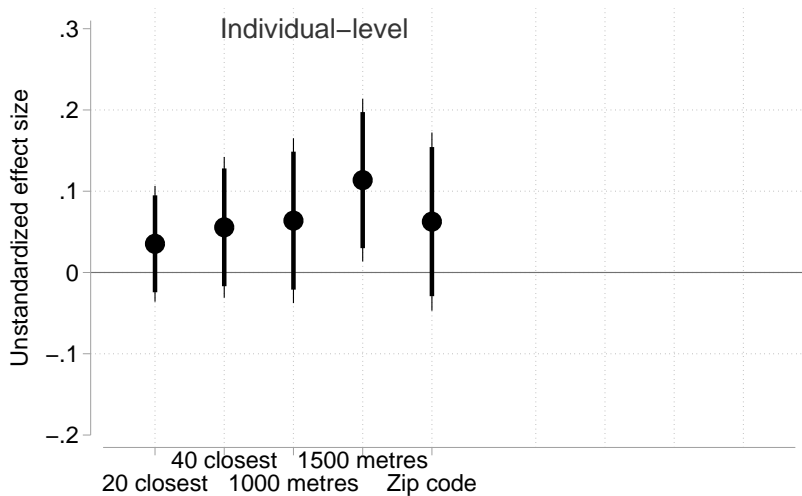
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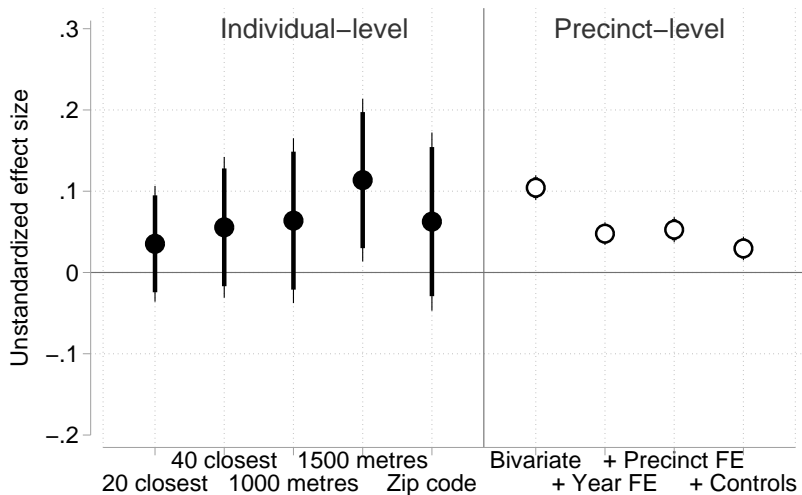
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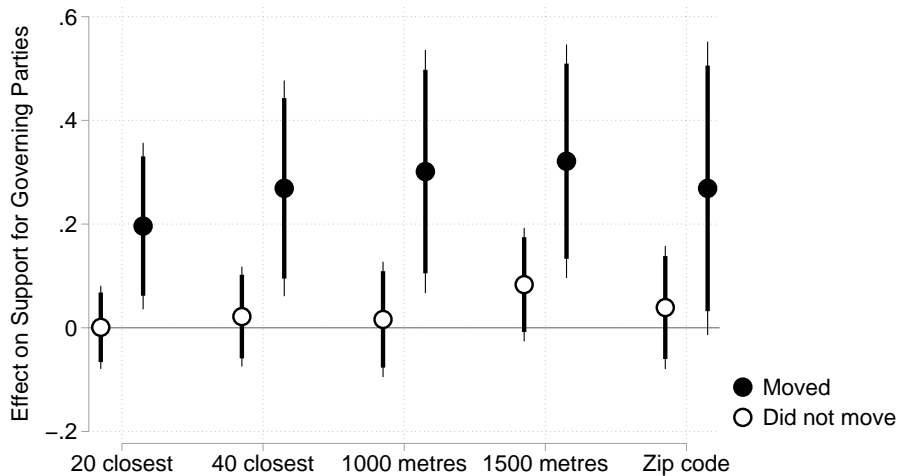
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local economic conditions (housing prices) do drive incumbent support

↪ effect stronger where/when individuals engage with the local housing market

suggests that local economy matters

- individuals make inferences about incumbents based on how local community is doing.
- pol's need to worry about 'geography of grievances'.

housing markets (also) matter politically

↪ voters adapt to changing economies, focus on new parts of the economy

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Thanks for your time!

