

# Falling house prices hurt incumbents

Frederik G. Hjorth    Martin Vinæs Larsen

Department of Political Science  
University of Copenhagen

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Key economic feature of post-industrial societies: mass home ownership.

- main form of capital ordinary people have.
- key part of one's control over one's immediate context.
- often the focus of political rhetoric.

~> but: relatively little research on how home ownership shapes political behavior.

Ansell (2014): house price appreciation reduces preferences for social insurance

Here: house prices and *incumbent government support*

“personal grievance hypothesis”: citizens blame (or credit) governments for personal grievances (favor) they experience; specifically, whether local house prices (appreciate) depreciate.

At odds with received wisdom on economic voting:

“The political consequences of economic conditions are not carried by personally experienced hardships. Rather, a citizen's political response to economic conditions is mediated by judgments that are collectively oriented.” (Kinder & Kiewiet, 1979)

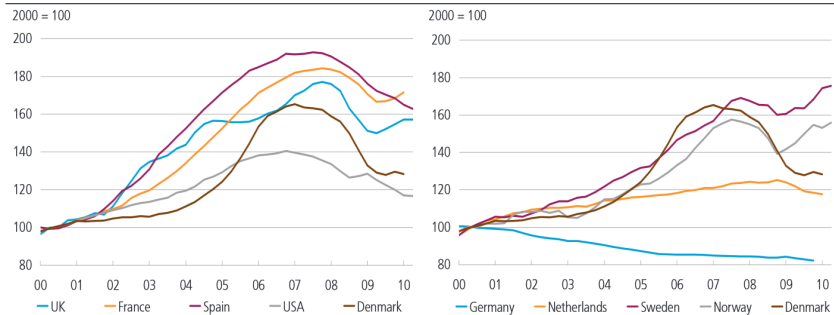
However, personal economic hardships previously studied have been

- ① perceived, and/or
- ② short-ranging (e.g. unemployment, reductions in income)

In international comparison, DK's housing bubble exceptionally volatile:

REAL HOUSE PRICES IN SELECTED OECD COUNTRIES

Chart 4



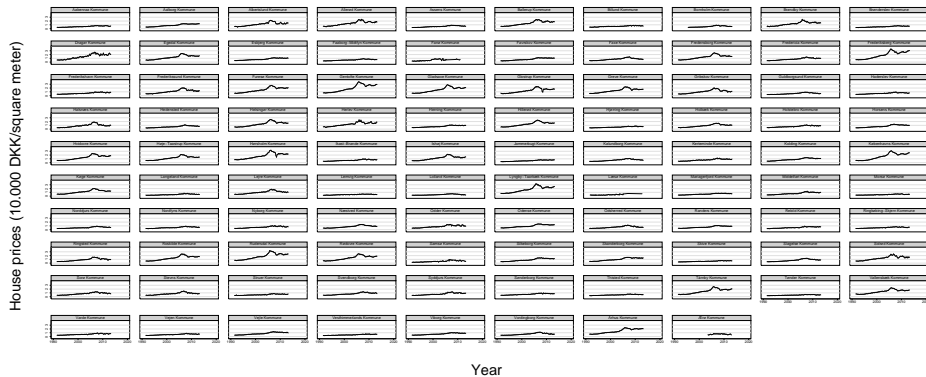
Note: Real house prices: nominal house prices deflated by the national accounts deflator for private consumption.

Source: OECD House Price Database.

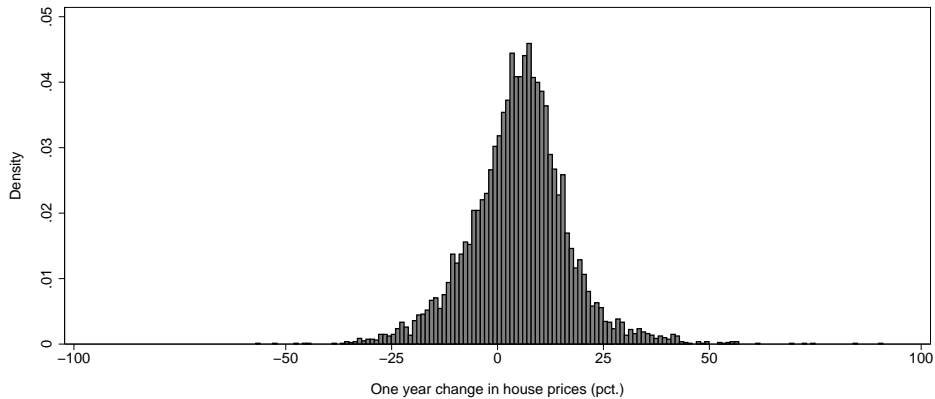
House prices are hard to measure

- for individual home, unobserved outside of purchase/sale
- plausible proxy: realized house prices in local context

Data on municipal selling prices covering twenty years (1992:2013) from the Danish Mortgage Banks' Federation.



Graphs by municipality



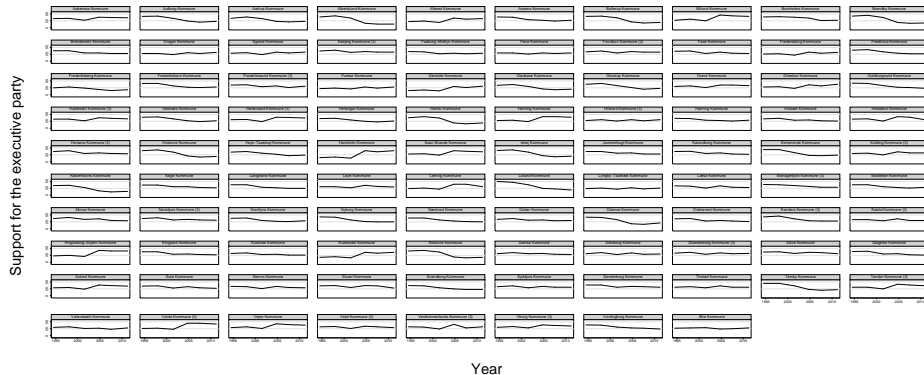
0.05     $\sigma = 0.11$

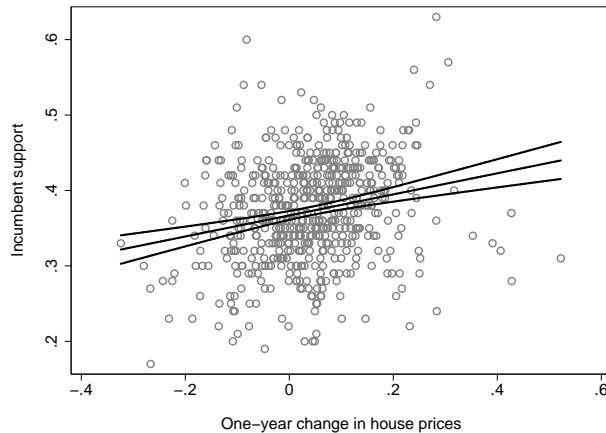
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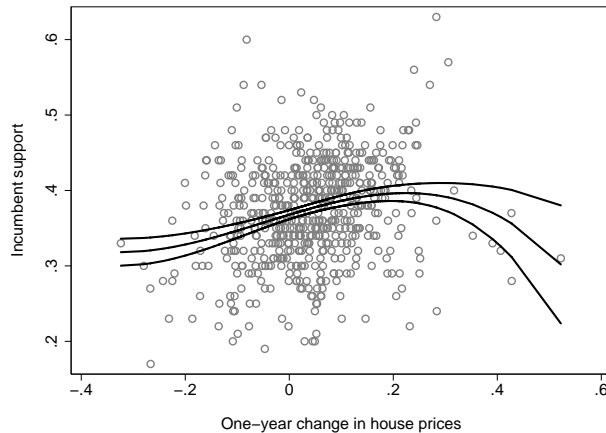


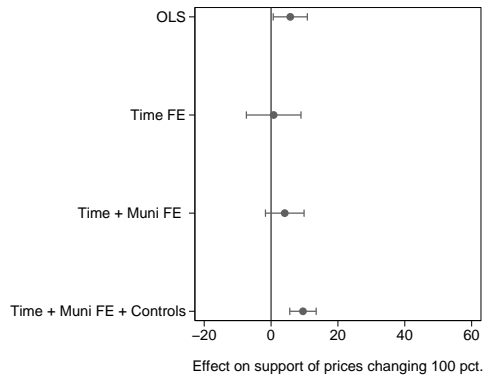
For incumbent support, two data sets:

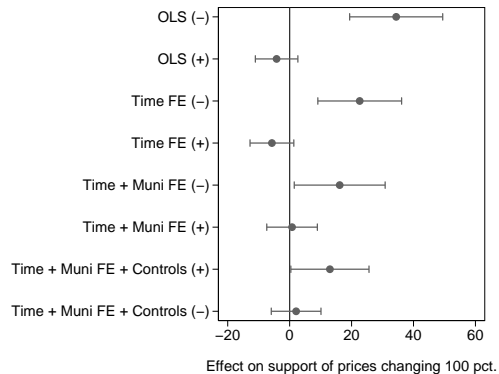
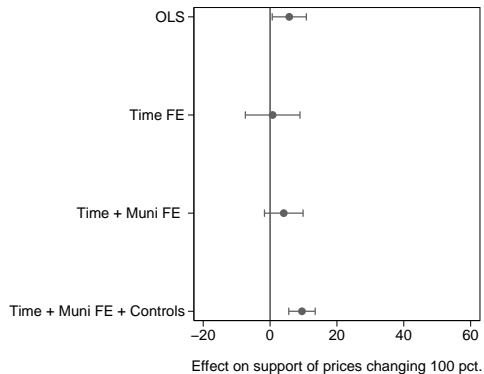
- ① Municipality-level election returns from the six national elections for which we have the housing data  
~> behavioral outcome measure
- ② A set of nine surveys  
~> intense coverage around the time of the housing-bubble in 2005-2010  
~> individual-level controls

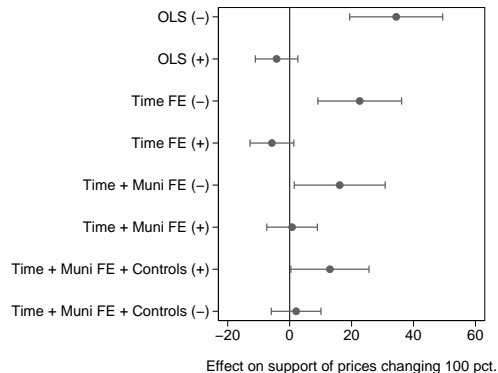
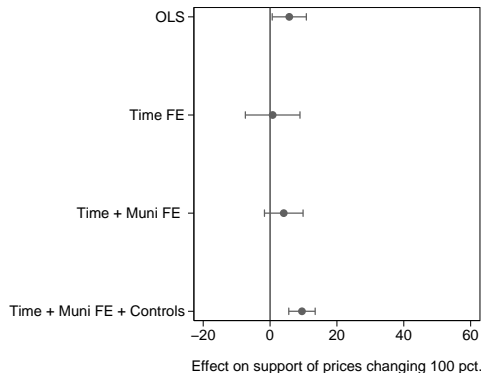




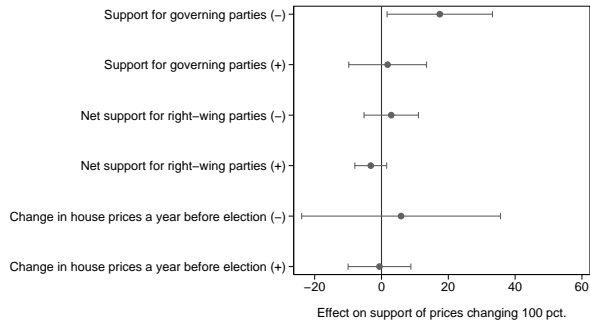








Controls: Unemployment, tax-level, violent crime, theft.







We have shown that falling - but not rising - house prices hurt incumbents in Denmark.

Some questions we would like answered:

- is this convincing?
- what other analyses would you like to see?
- which interesting (theoretical and real world) implications do you think this has?
- do you think this is a case where personal economic grievances matter?