The Conditional Impact of Local Economic Conditions on Incumbent Support

Martin Vinæs Larsen Frederik Hjorth Peter Thisted Dinesen
Kim Mannemar Sønderskov

Departments of Political Science
Aarhus University
University of Copenhagen

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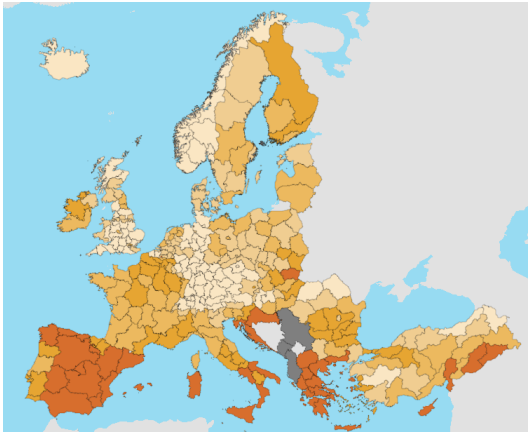
1 Motivation

2 Data

3 Results

4 Conclusion

RQ: Do citizens respond politically to local economic conditions?



- Conflicting findings in existing literature

»(...) the local economy has an impact on presidential election outcomes (...)« (Lenz & Healy, forthcoming)

»(...) local economic conditions related to the housing market do not appear to play an important role in U.S. election results (...)« (Hall et al., 2017)

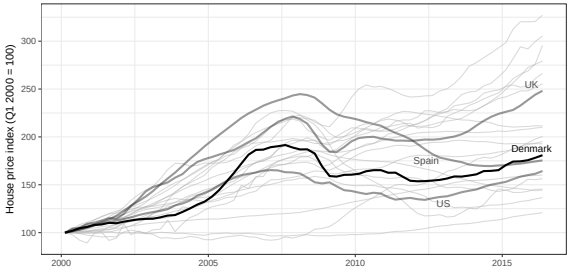
- Our argument: conditional on *contextual priming* from local econ activity
- $\rightarrow$ citizens more responsive when local econ activity is salient
- focus on housing market (empirically important, high-quality local data)

»*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.«

Denmark ca. 2002 - 2015.

1. experienced very volatile housing bubble
2. detailed data from the public registries on local housing markets
3. link the housing market data to voting behavior in two different data sets:
   - precinct-level election returns
   - two-wave panel survey of reported voting



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

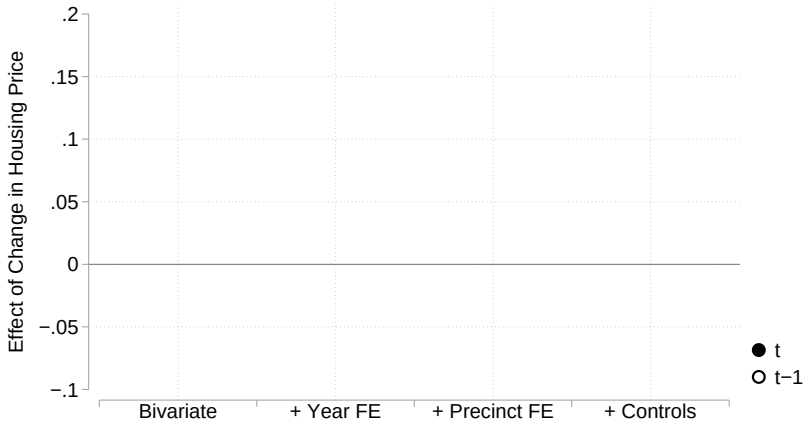
DV is support for gov't parties at precincts across elections in '05, '07, '11, '15.
$\rightsquigarrow$ smallest unit at which election outcomes are observed ($3,000$ voters on average)

IV is year-over-year changes in the price of real-estate sold in the precinct's zip code.
$\rightsquigarrow$ Data from the Danish Mortgage Federation.

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

$$govt_{it} = \Delta price_{it} + \epsilon_{it} + \gamma_t + \epsilon_{it} + \pi_i + \epsilon_{it} + econ\beta + \epsilon_{it}$$

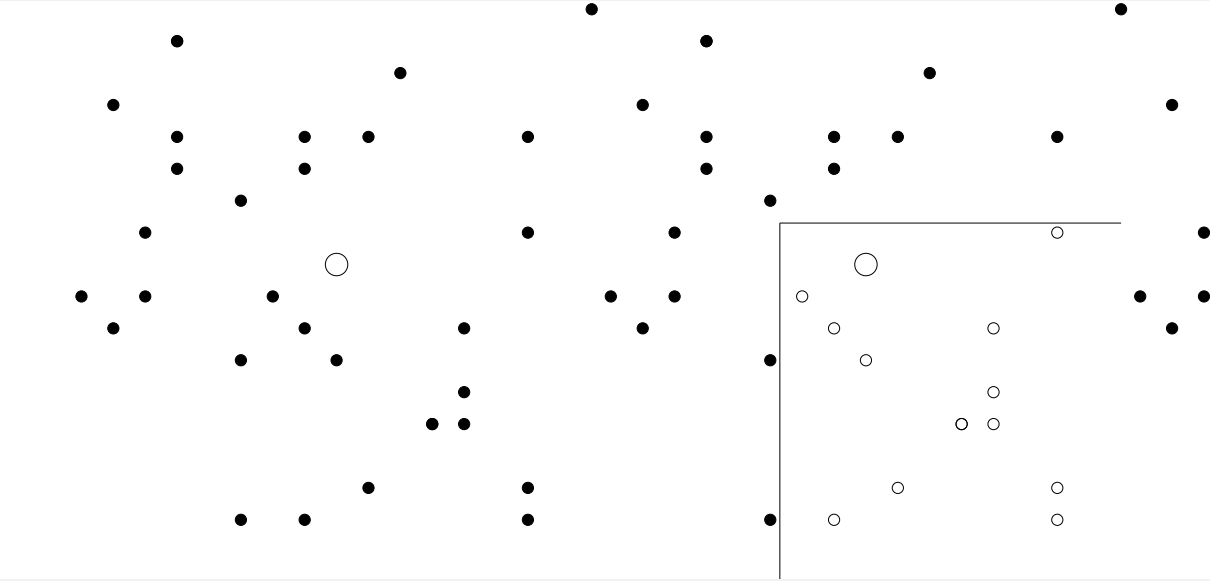
$$govt_{it-1} = \Delta price_{it} + \gamma_t + \pi_i + econ\beta + \epsilon_{it}$$


.2
.15
.1
.05
0
−.05
−.1
Effect of Change in Housing Price
Bivariate
+ Year FE
+ Precinct FE
+ Controls
t
t−1

Use a two-wave panel survey of Danish citizens; interviewed in the aughts, '11.
$\rightsquigarrow$ Link these respondents to the national registers.

Why use this data as well?

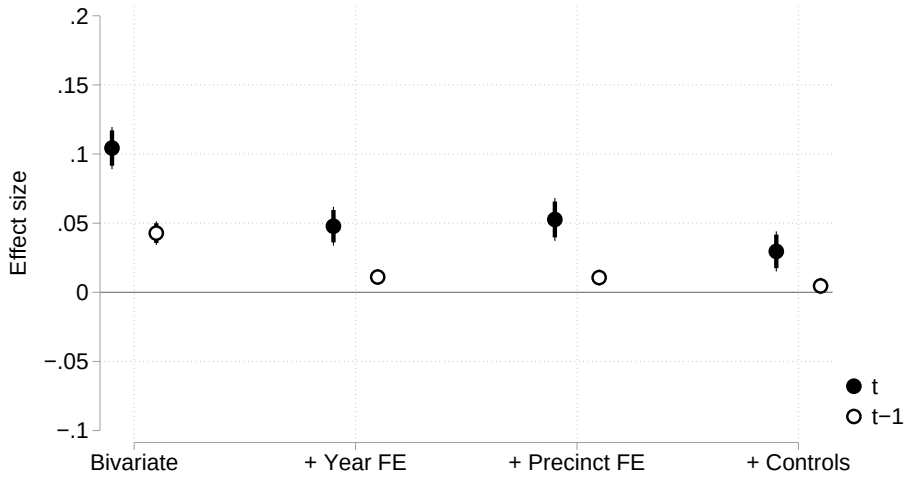
- Replication (/methodological triangulation).
- Explore individual level moderators to get at mechanism.
- Allows us to define context in flexible ways (cf. MAUP).

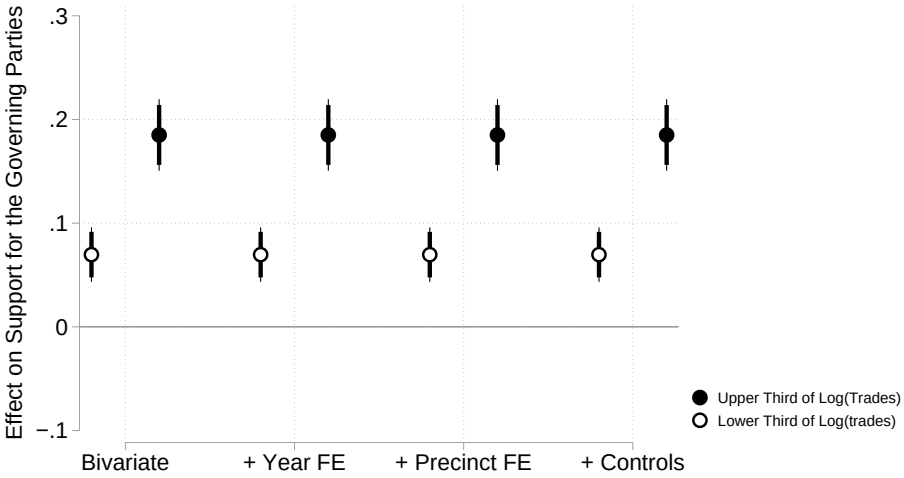


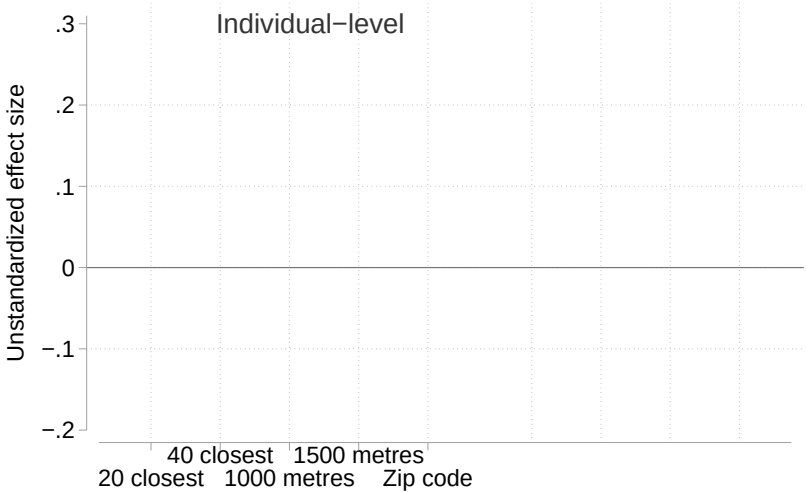
DV is reported vote choice for gov't party.

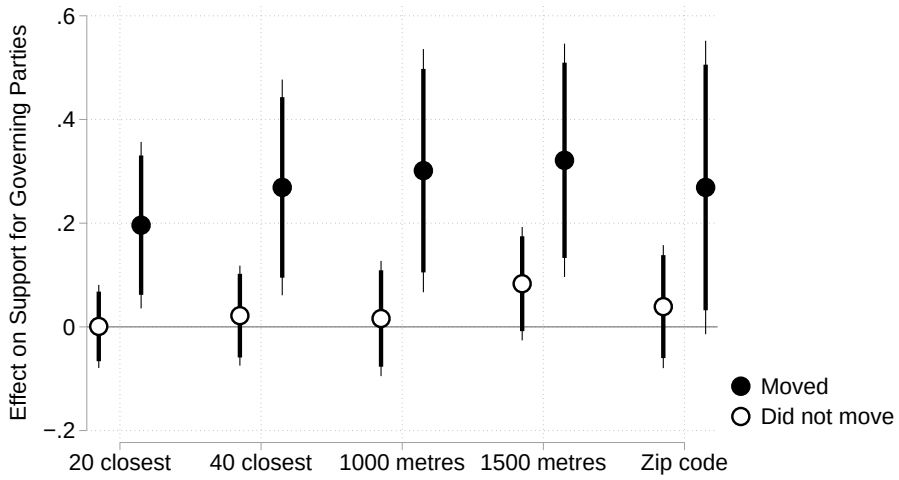
IV is changes in the price of real-estate sold in residential context (dif interpretations).

We use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ Controls: Unemployment, Income (personal, context)
$\rightsquigarrow$ Use an LPM as a link function.


.2
.15
.1
.05
0
−.05
−.1
Effect size
Bivariate
+ Year FE
+ Precinct FE
+ Controls
t
t−1


Effect on Support for the Governing Parties
.3
.2
.1
0
−.1
Bivariate
+ Year FE
+ Precinct FE
+ Controls
Upper Third of Log(Trades)
Lower Third of Log(trades)


Individual−level
Unstandardized effect size
.3
.2
.1
0
−.1
−.2
20 closest
40 closest
1000 metres
1500 metres
Zip code

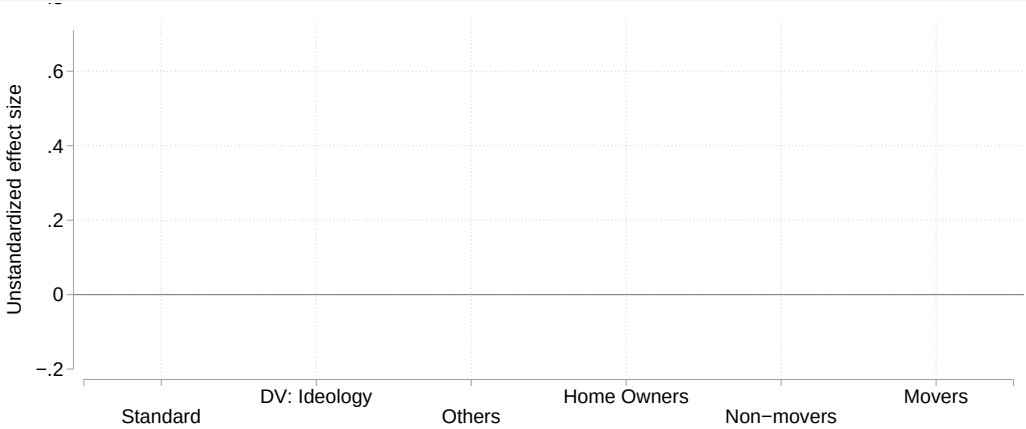

Effect on Support for Governing Parties
.6
.4
.2
0
−.2
20 closest
40 closest
1000 metres
1500 metres
Zip code
Moved
Did not move

We find that local housing prices do drive incumbent support.
$\rightsquigarrow$ especially for those who engage with the local housing market.

Suggests that local economy matters.

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

Also suggests that, more broadly, housing markets matter politically.
$\rightsquigarrow$ voters adapt, focus on new parts of the economy.


Unstandardized effect size
.6
.4
.2
0
−.2
DV: Ideology
Standard
Others
Home Owners
Non−movers
Movers