

# Falling house prices hurt incumbents

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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 (see also Di Tella, Galiani and Schargrodsky 2007; Lewis-Beck, Nadeau and Foucault 2013)

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 and Kiewiet, 1979, p. 499)

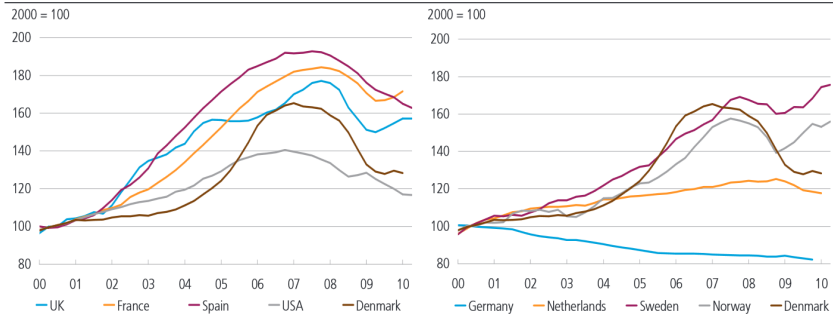
However, personal economic hardships previously studied have been

- 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.

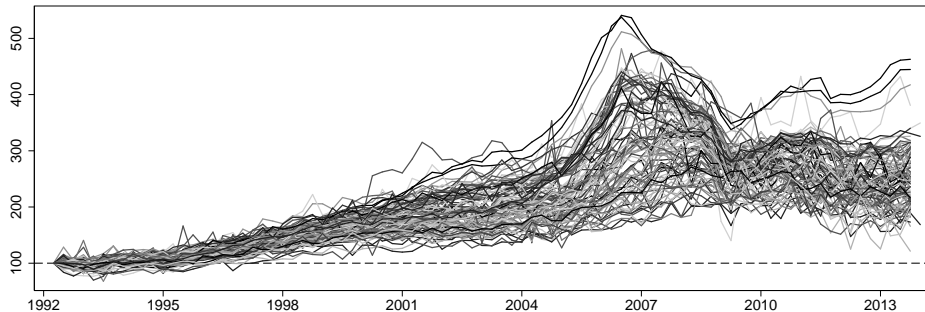
House prices are hard to measure

- 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.

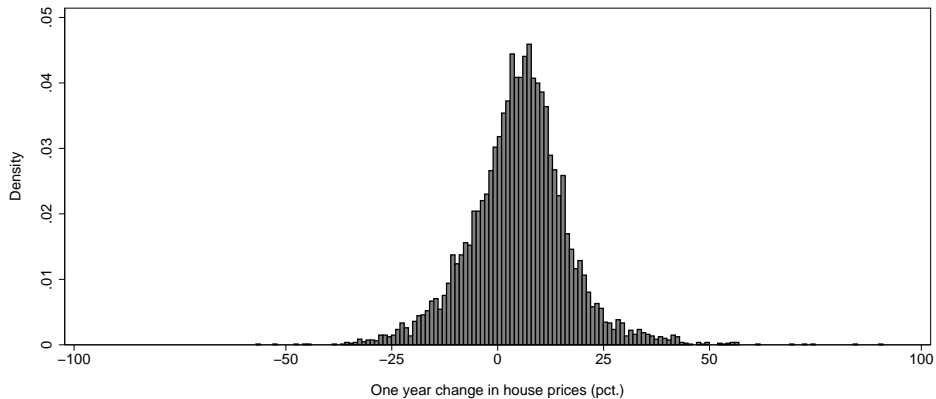


House prices in Denmark  
(1992 is index 100)



$$\mu = 0.05 \quad \sigma = 0.11$$

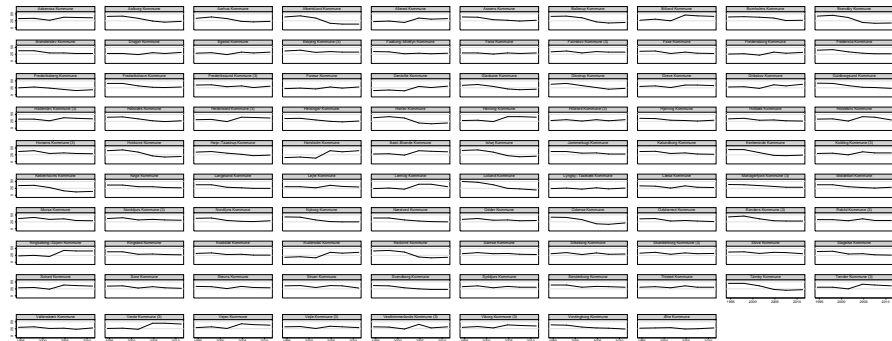




$$\mu = 0.05 \quad \sigma = 0.11$$

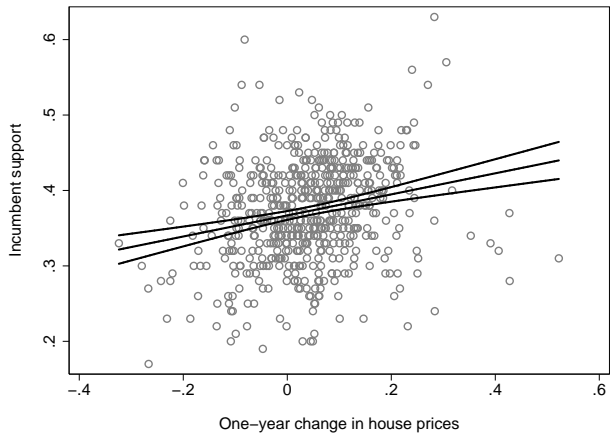
For incumbent support, two data sets:

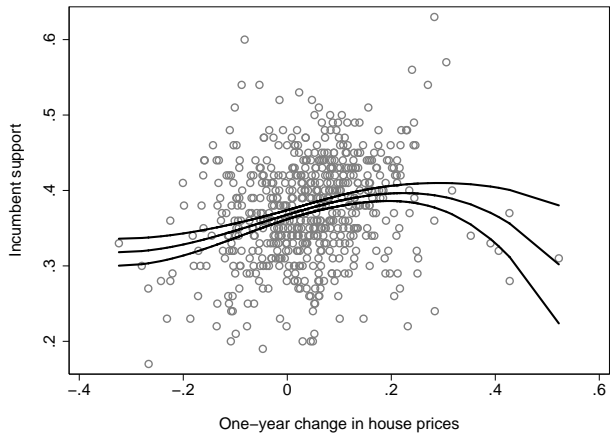
- ① Municipality-level election returns from the six national elections for which we have the housing data  
~> behavioral outcome measure
- ② A set of nine surveys  
~> intense coverage around the time of the housing-bubble in 2005-2010  
~> individual-level controls

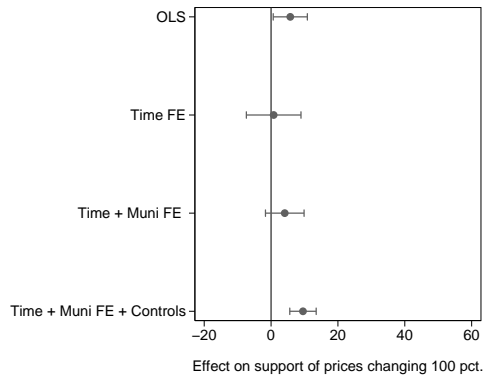


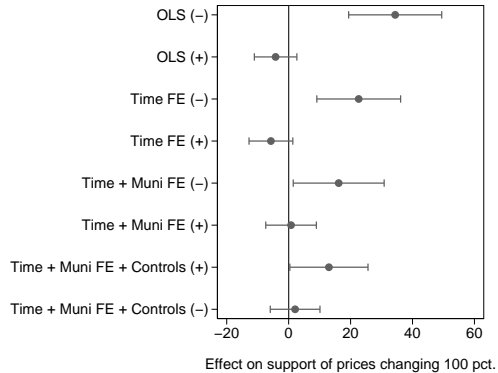
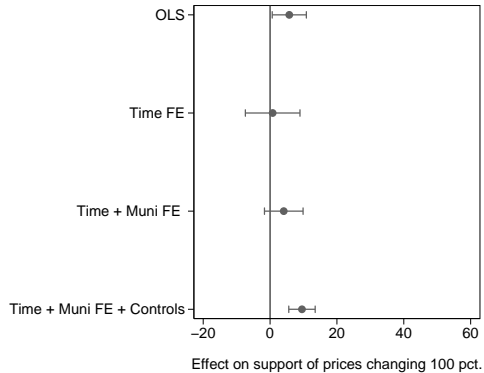
Year

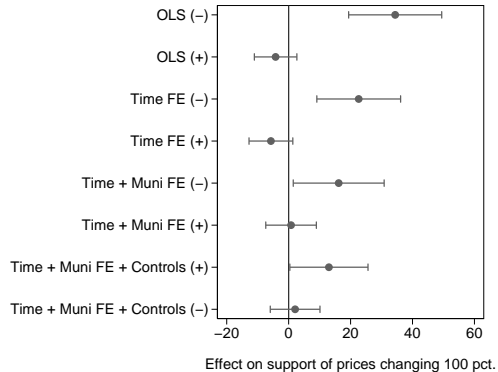
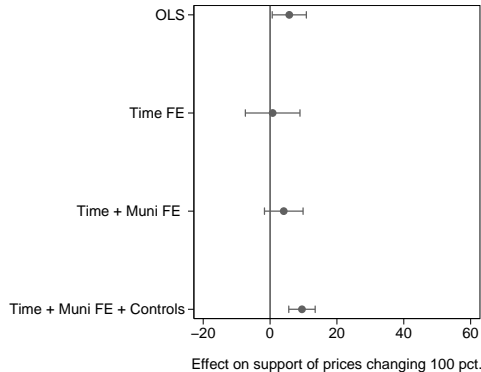
Graphs by municipality





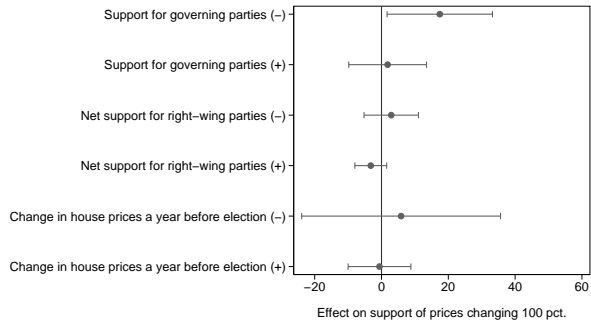


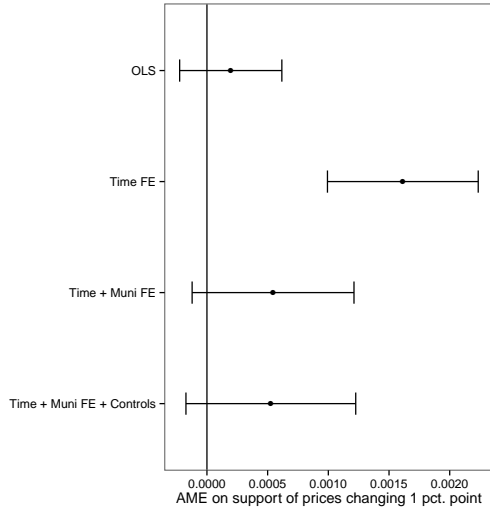


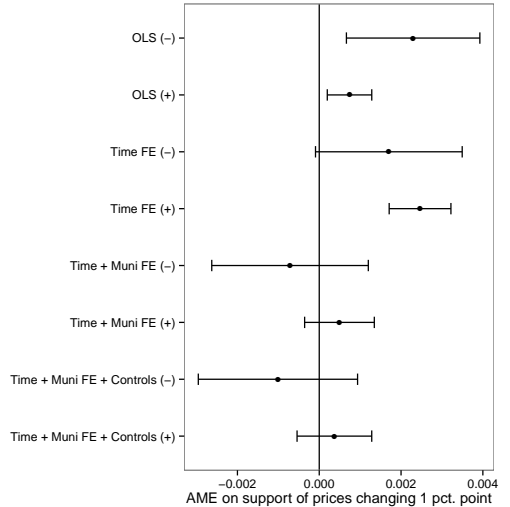
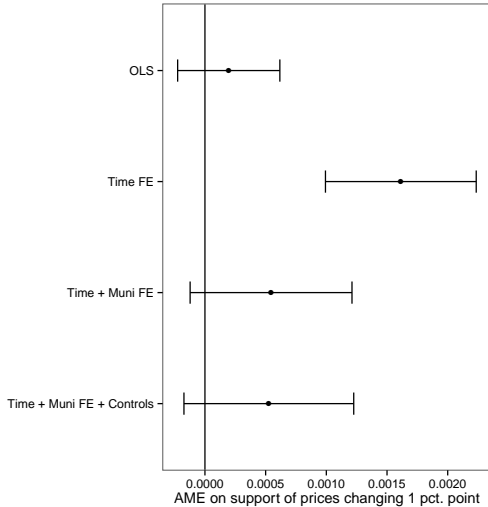


Controls: Unemployment, tax-level, violent crime, theft.









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?

- Ansell, Ben. 2014. "The political economy of ownership: Housing markets and the welfare state." *American Political Science Review* 108(02):383–402.
- Di Tella, Rafael, Sebastian Galiani and Ernesto Schargrotsky. 2007. "The formation of beliefs: evidence from the allocation of land titles to squatters." *The Quarterly Journal of Economics* pp. 209–241.
- Kinder, Donald R and D Roderick Kiewiet. 1979. "Economic discontent and political behavior: The role of personal grievances and collective economic judgments in congressional voting." *American Journal of Political Science* pp. 495–527.
- Lewis-Beck, Michael S, Richard Nadeau and Martial Foucault. 2013. "The complete economic voter: New theory and British evidence." *British Journal of Political Science* 43(02):241–261.