

# Housing Bubbles and Support for Incumbents

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# Outline

1. Politicized homes?
2. About the Danish Case
3. Data
4. Results
5. Conclusion

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

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

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 ~→ see Di Tella, Galiani and Schargrodsky (2007) for similar point.



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Feeds into literature on effect of local economic conditions *vis-à-vis* personal or national.

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~> which is in fact, what we usually see.

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Caveat: We cannot discern the exact mechanism is. Could be ego, socio or geotropic.  
 ~→ We focus on establishing an effect.

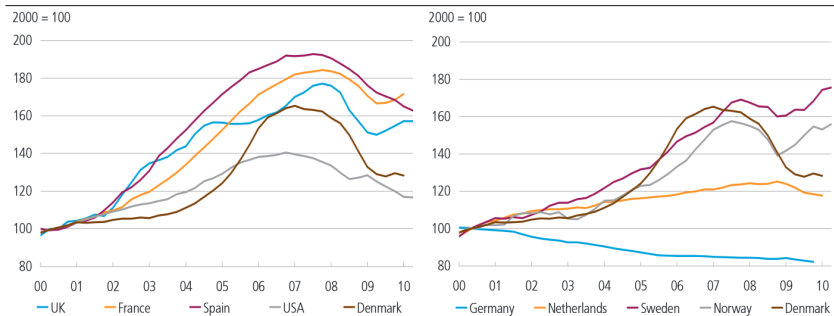
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In international comparison, DK's housing bubble exceptionally volatile:

REAL HOUSE PRICES IN SELECTED OECD COUNTRIES

Chart 4

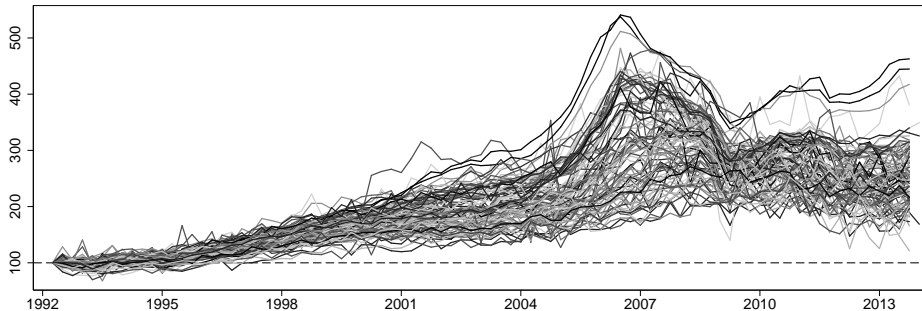


Note: Real house prices: nominal house prices deflated by the national accounts deflator for private consumption.  
Source: OECD House Price Database.



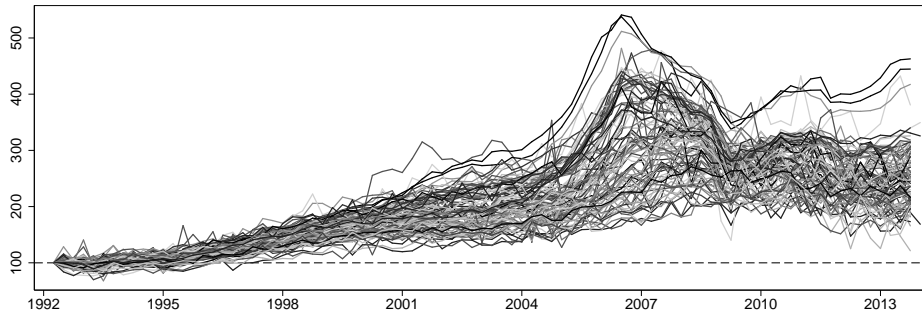
However, still great variation within DK (across municipalities below).

House prices in Denmark  
(1992 is index 100)



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Our focus is on parliamentary elections in 2005, '07, '11 and '15.

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↪ at the district level, only measured in 2011!



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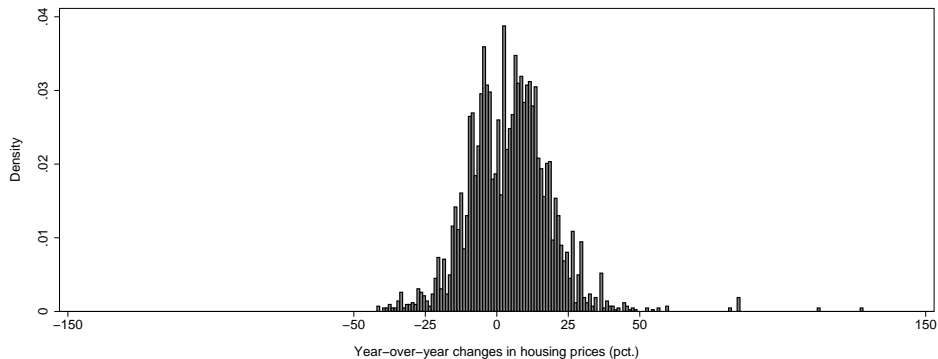
- ↪ we have quarterly volume-weighted avg. price for condos and houses sold in zip.
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We link precincts to zip-codes by identifying the zip code of the precinct's polling place.



$$\mu = 0.04 \quad \sigma = 0.14$$

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**Table 1:** Estimated effects of house prices on electoral support for governing parties.

	(1)	(2)	(3)	(4)	(5)
$\Delta$ housing price	0.10** (0.01)	0.12** (0.01)	0.05** (0.01)	0.05** (0.01)	0.01* (0.01)
Precinct FE		✓	✓	✓	✓
Year FE			✓	✓	✓
Year FE * Structural factors				✓	✓
Year FE * Municipality FE					✓
Observations	4192	4192	4192	4171	4171
RMSE	8.40	7.16	5.71	4.77	2.84

Standard errors in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$

**Table 1:** Estimated effects of house prices on electoral support for governing parties at  $t+1$ .

	(1)	(2)	(3)	(4)	(5)
$\Delta$ housing price	0.12** (0.01)	0.14** (0.01)	-0.02 (0.01)	-0.01 (0.01)	0.02 (0.01)
Precinct FE		✓	✓	✓	✓
Year FE			✓	✓	✓
Year FE * Structural factors				✓	✓
Year FE * Municipality FE					✓
Observations	3225	3225	3225	3211	3211
RMSE	8.62	7.10	6.22	5.24	3.05

Standard errors in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$

**Table 1:** Estimated effects of house prices on electoral support for governing parties at t-1.

	(1)	(2)	(3)	(4)	(5)
$\Delta$ housing price	-0.03** (0.01)	-0.04** (0.01)	0.07** (0.01)	0.08** (0.01)	-0.00 (0.01)
Precinct FE		✓	✓	✓	✓
Year FE			✓	✓	✓
Year FE * Structural factors				✓	✓
Year FE * Municipality FE					✓
Observations	4198	4198	4198	4175	4175
RMSE	8.80	7.50	6.46	5.04	3.13

Standard errors in parentheses

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We examine two types of heterogeneity in this effect: negativity and volatility.

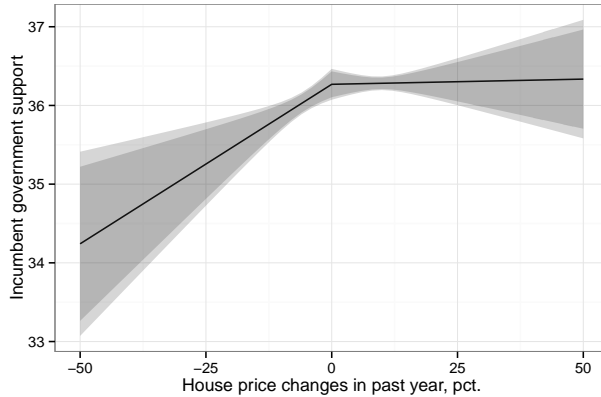
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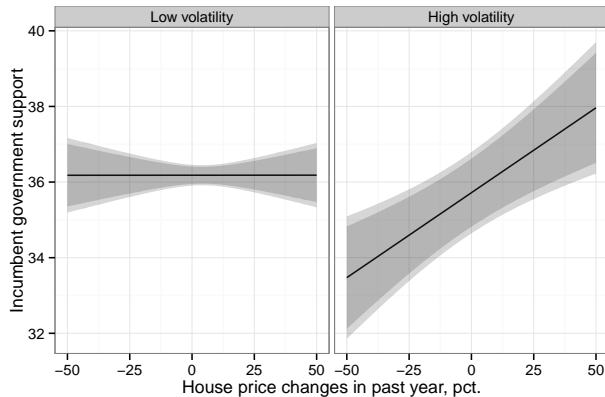
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The second is volatility in the precinct's housing prices: “bubblyness”.  
↪ mechanisms: priming and clarity of responsibility.







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House prices affect support for governing parties in Denmark.

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Evidence that the local economy, like the national, can influence incumbent support.

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Evidence that the local economy, like the national, can influence incumbent support.

Interesting implications for reelection-minded politicians.

↪ they should care about housing prices, but they should try to avoid bubbles.

- Ansell, Ben. 2014. "The political economy of ownership: Housing markets and the welfare state." *American Political Science Review* 108(02):383–402.
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