

Housing Bubbles and Support for Governing Parties

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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.

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

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 ~→ see also Di Tella, Galiani and Schargrodsy (2007).

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Feeds into literature on effect of local economy on incumbent support.

Slide on extant literature.

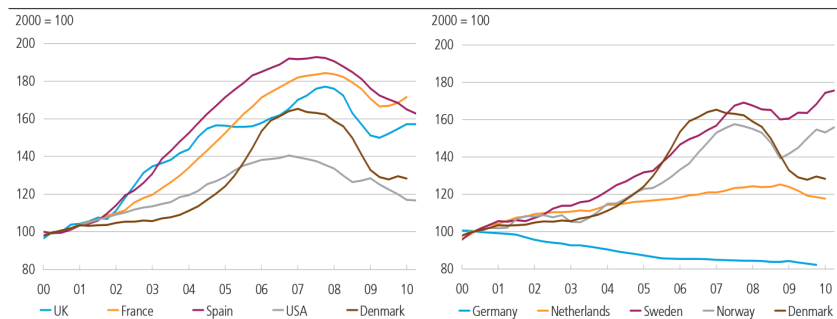
Note of caution...

We do not know what the mechanism is. Simply, establish an effect.

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

REAL HOUSE PRICES IN SELECTED OECD COUNTRIES

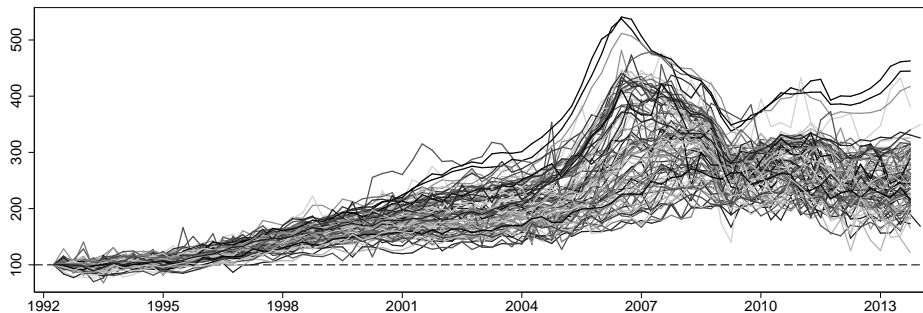
Chart 4



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

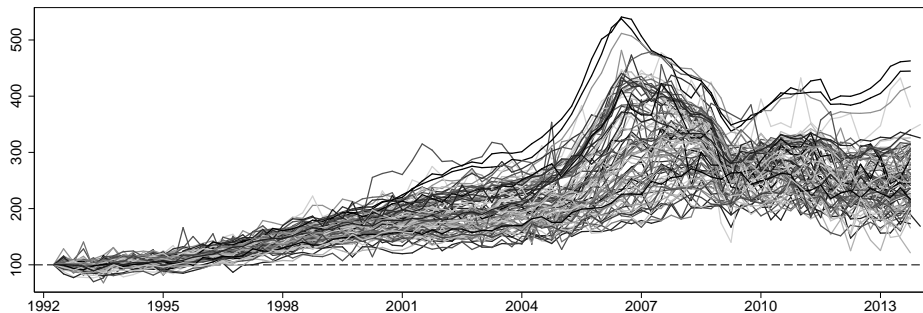
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House prices in Denmark
(1992 is index 100)



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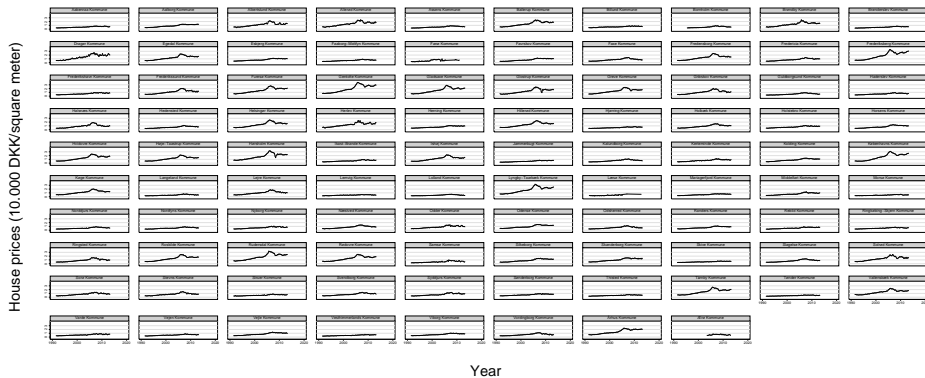
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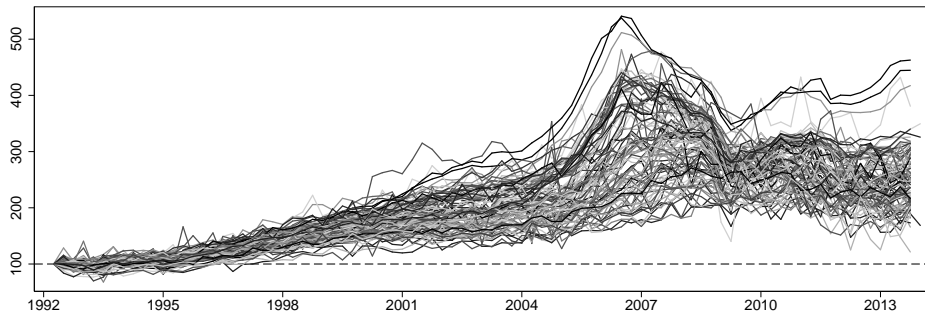
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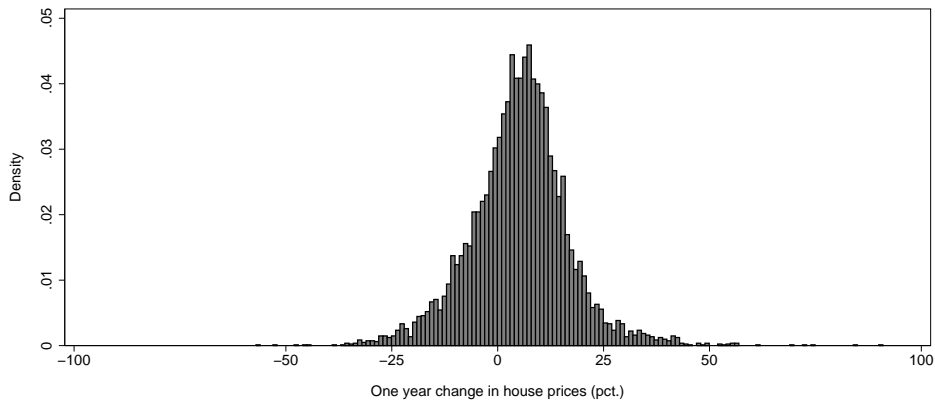
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Data on municipal selling prices from the Danish Mortgage Banks' Federation covering twenty years (1992:2013).



House prices in Denmark
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$$\mu = 0.05 \quad \sigma = 0.11$$

Politicized homes?
○○○○

Empirical setting
○○○

Data
○○●○

Results
○○

Discussion
○

References
○

Politicized homes?
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○○

Discussion
○

References
○

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

	(1)	(2)	(3)	(4)	(5)
Δ 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)
Δ 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

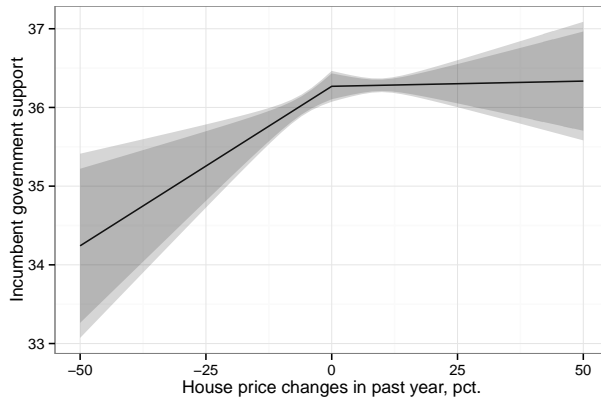
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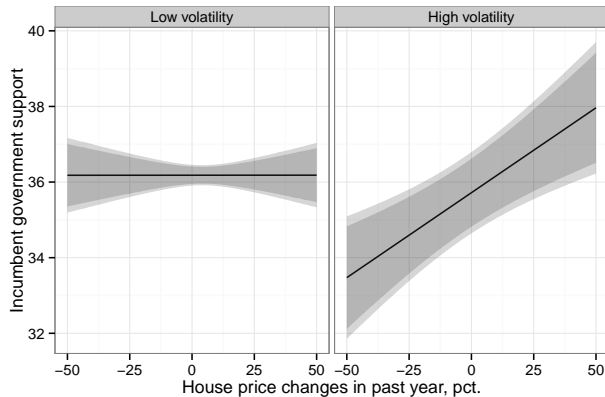
Table 1: Estimated effects of house prices on electoral support for governing parties at t-1.

	(1)	(2)	(3)	(4)	(5)
Δ 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 have shown evidence suggesting that falling - but not rising - house prices hurt incumbents in Denmark.

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- 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.
- Lewis-Beck, Michael S, Richard Nadeau and Martial Foucault. 2013. "The compleat economic voter: New theory and British evidence." *British Journal of Political Science* 43(02):241–261.