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

24th International Conference of Europeanists
Glasgow, Scotland
July 13, 2017

1 Motivation

2 Data

3 Results

4 Conclusion

1 Motivation

2 Data

3 Results

4 Conclusion

1 Motivation

2 Data

3 Results

4 Conclusion

1 Motivation

2 Data

3 Results

4 Conclusion

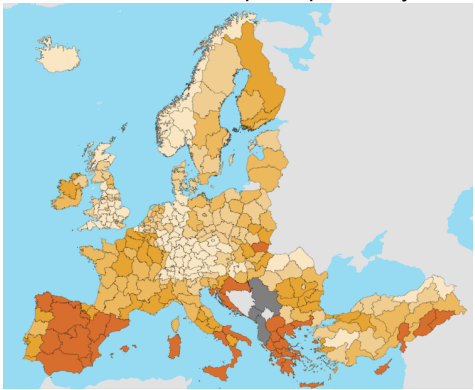
1 Motivation

2 Data

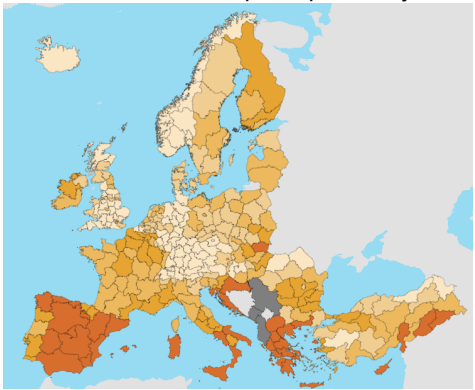
3 Results

4 Conclusion

RQ: Do citizens respond politically to local economic conditions?



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)

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)

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 made salient through exposure
- 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.«

- Our argument: conditional on *contextual priming* from local econ activity
- $\rightarrow$ citizens more responsive when local econ activity is made salient through exposure
- 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.«

- Our argument: conditional on *contextual priming* from local econ activity
- $\rightarrow$ citizens more responsive when local econ activity is made salient through exposure
- 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.«

- Our argument: conditional on *contextual priming* from local econ activity
- $\rightarrow$ citizens more responsive when local econ activity is made salient through exposure
- 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.«

- Our argument: conditional on *contextual priming* from local econ activity
- $\rightarrow$ citizens more responsive when local econ activity is made salient through exposure
- 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.«

1 Motivation

2 Data
- Empirical setting
- Precinct-level data
- Individual-level data

3 Results

4 Conclusion

1 Motivation

2 Data
- Empirical setting
- Precinct-level data
- Individual-level data

3 Results

4 Conclusion

Denmark ca. 2002 - 2015.

- experienced very volatile housing bubble
- detailed data from the public registries on local housing markets
- link the housing market data to voting behavior in two different data sets:

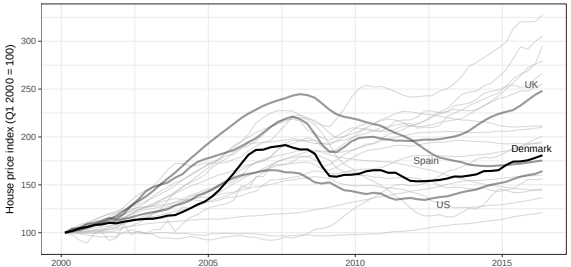


Figure: Trends in real house prices. Source: The International House Price Database.

Denmark ca. 2002 - 2015.

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

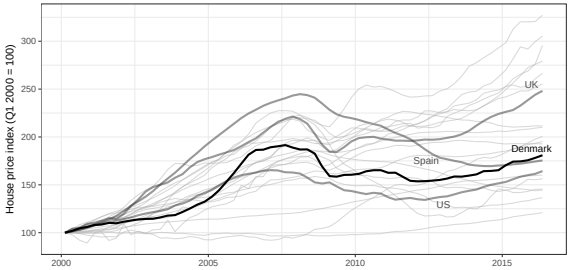


Figure: Trends in real house prices. Source: The International House Price Database.

Denmark ca. 2002 - 2015.

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

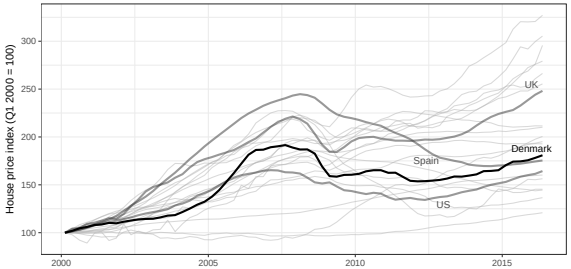


Figure: Trends in real house prices. Source: The International House Price Database.

Denmark ca. 2002 - 2015.

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

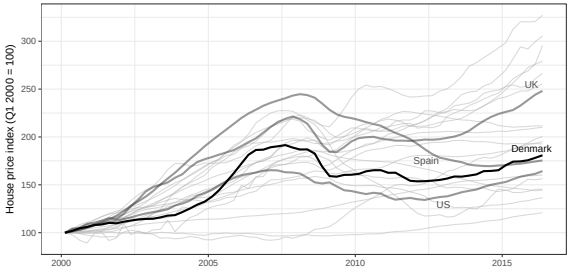


Figure: Trends in real house prices. Source: The International House Price Database.

Denmark ca. 2002 - 2015.

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

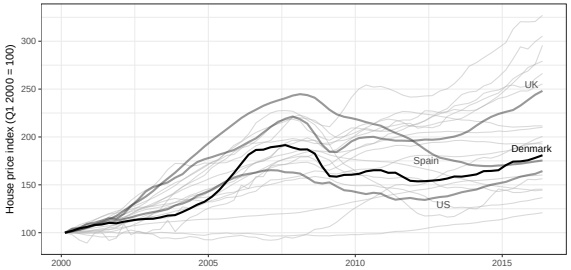


Figure: Trends in real house prices. Source: The International House Price Database.

Denmark ca. 2002 - 2015.

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

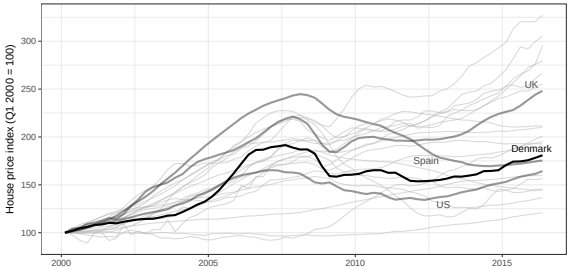


Figure: Trends in real house prices. Source: The International House Price Database.

1 Motivation

2 Data
- Empirical setting
- Precinct-level data
- Individual-level data

3 Results

4 Conclusion

DV: 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: year-over-year change in the price of real-estate sold in precinct's zip code

salience measure: logged number of trades in precinct's zip code in most recent quarter

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.

DV: 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: year-over-year change in the price of real-estate sold in precinct's zip code

salience measure: logged number of trades in precinct's zip code in most recent quarter

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.

DV: 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: year-over-year change in the price of real-estate sold in precinct's zip code

salience measure: logged number of trades in precinct's zip code in most recent quarter

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.

DV: 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: year-over-year change in the price of real-estate sold in precinct's zip code

salience measure: logged number of trades in precinct's zip code in most recent quarter

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.

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

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

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

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

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

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

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

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

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

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

1 Motivation

2 Data
- Empirical setting
- Precinct-level data
- Individual-level data

3 Results

4 Conclusion

DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

salience measure: individuals' temporal proximity to moving, before or after survey

we use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ controls: unemployment, income (personal, context)
$\rightsquigarrow$ use LPM as a link function.

DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

salience measure: individuals' temporal proximity to moving, before or after survey

we use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ controls: unemployment, income (personal, context)
$\rightsquigarrow$ use LPM as a link function.

DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

salience measure: individuals' temporal proximity to moving, before or after survey

we use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ controls: unemployment, income (personal, context)
$\rightsquigarrow$ use LPM as a link function.

DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

salience measure: individuals' temporal proximity to moving, before or after survey

we use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ controls: unemployment, income (personal, context)
$\rightsquigarrow$ use LPM as a link function.

DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

salience measure: individuals' temporal proximity to moving, before or after survey

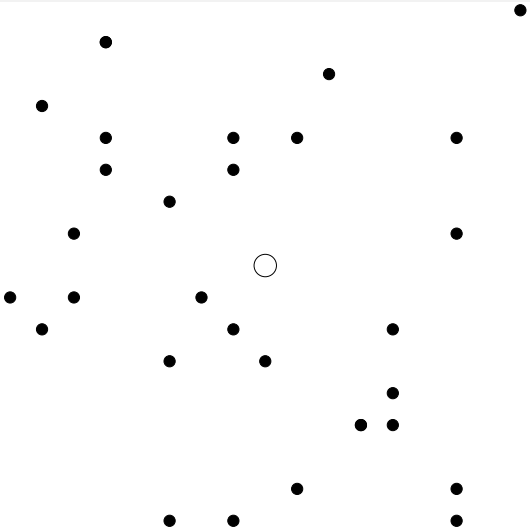
we use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ controls: unemployment, income (personal, context)
$\rightsquigarrow$ use LPM as a link function.

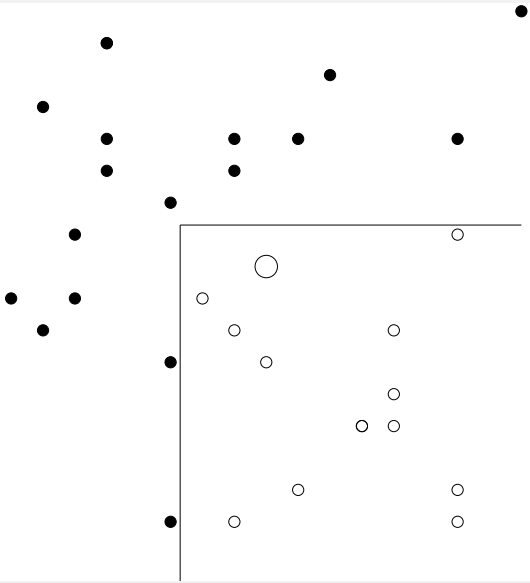
DV: self-reported for gov't parties in most recent election

IV: year-over-year change in the price of real-estate sold in (various measures of) respondent's context

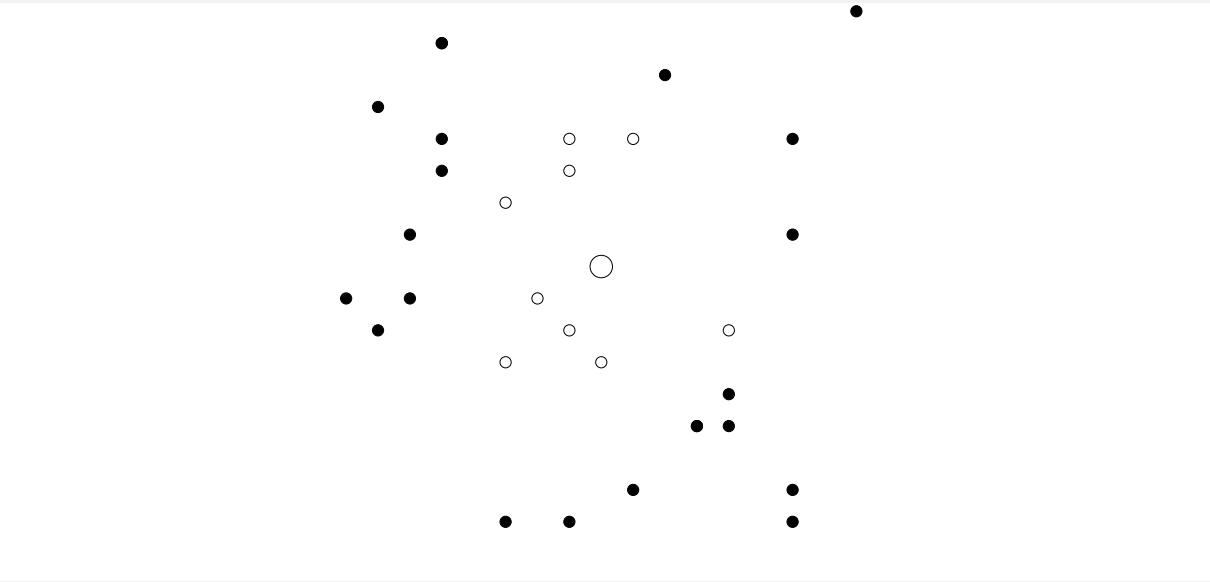
salience measure: individuals' temporal proximity to moving, before or after survey

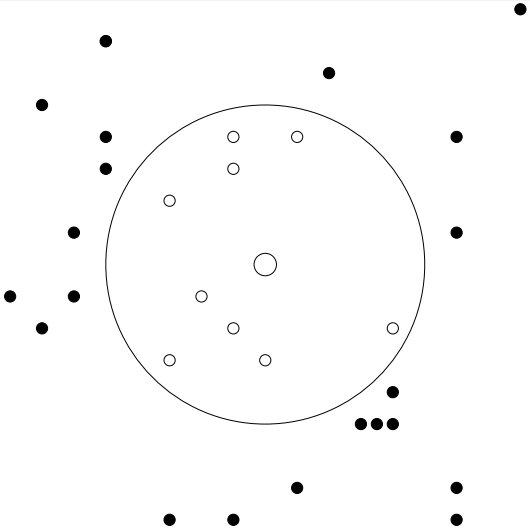
we use a linear regr with fixed effects to estimate the effect of local housing prices.
$\rightsquigarrow$ controls: unemployment, income (personal, context)
$\rightsquigarrow$ use LPM as a link function.

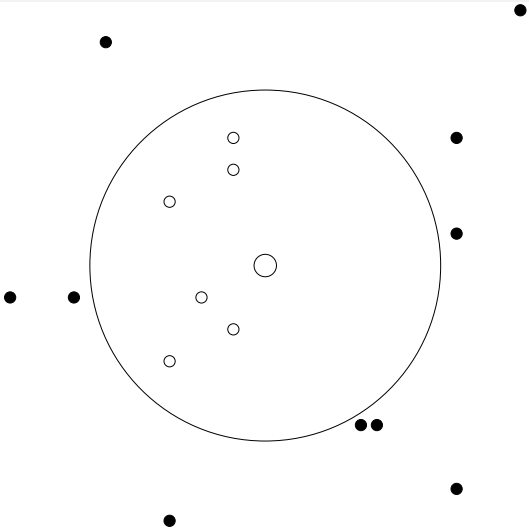


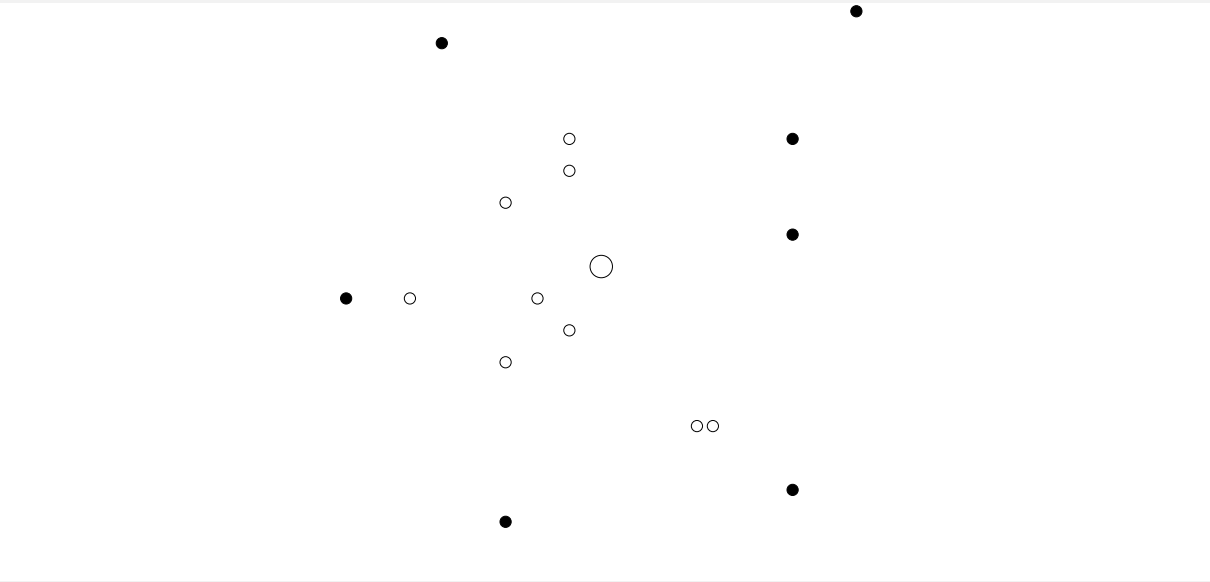


Individual-level data









1 Motivation

2 Data

3 Results
- Precint-level data
- Individual-level data

4 Conclusion

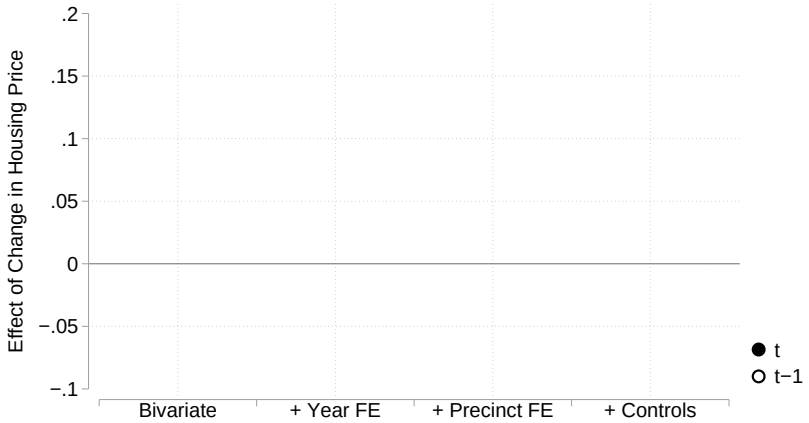
1 Motivation

2 Data

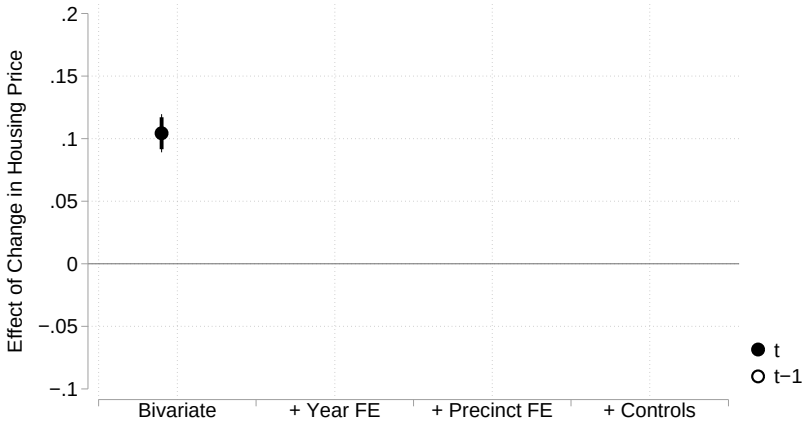
3 Results
- Precint-level data
- Individual-level data

4 Conclusion

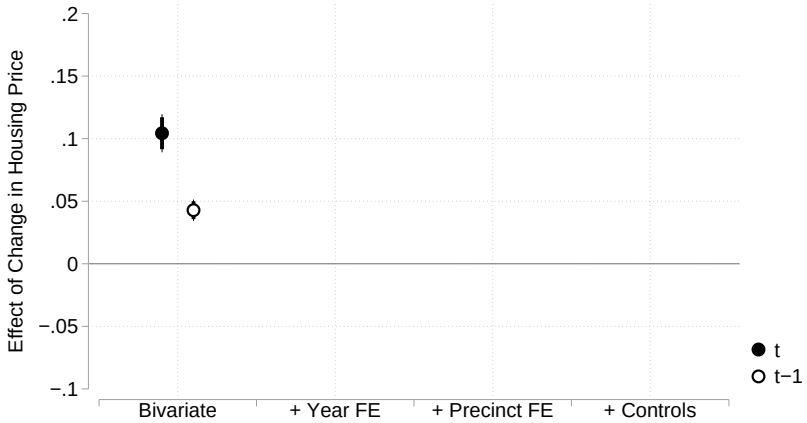
H1:


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

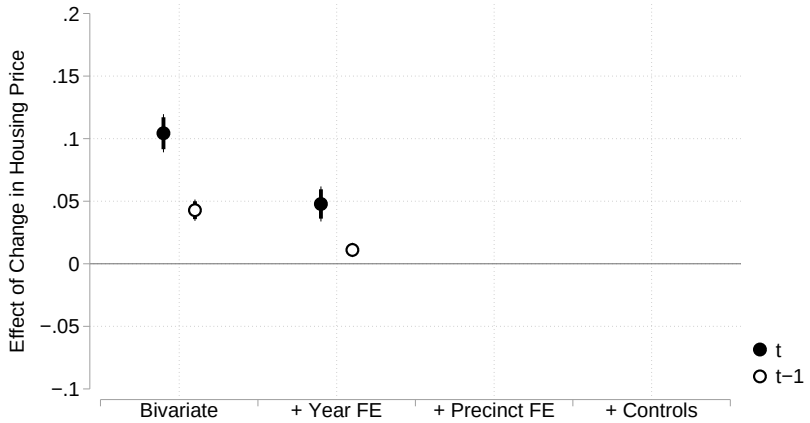
H1:


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

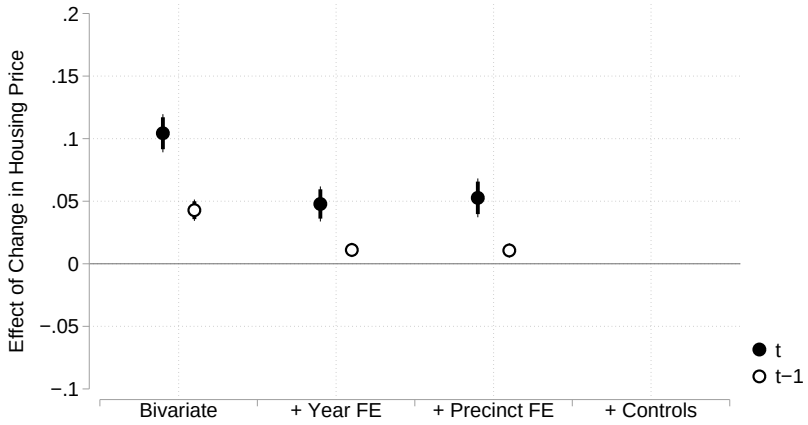
H1:


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

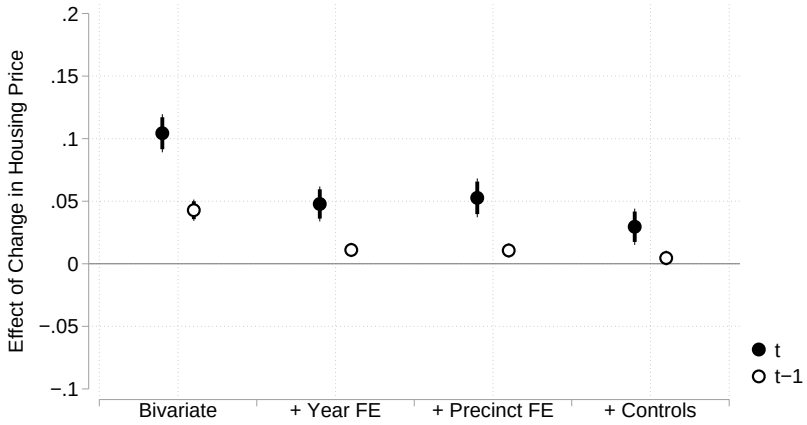
H1:


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

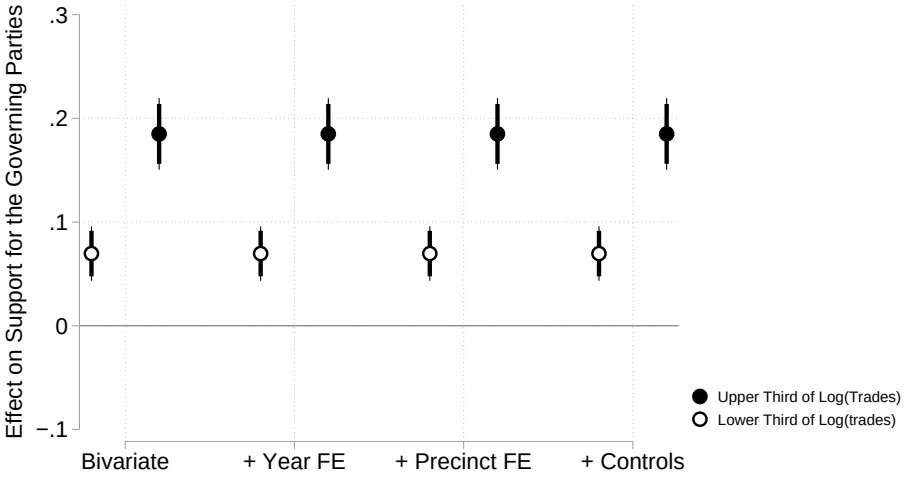
H1:


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

H1:


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

H2:


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)

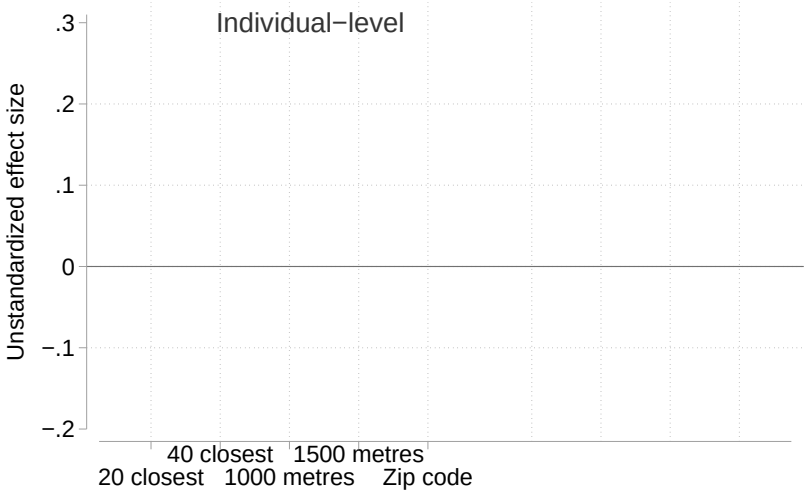
1 Motivation

2 Data

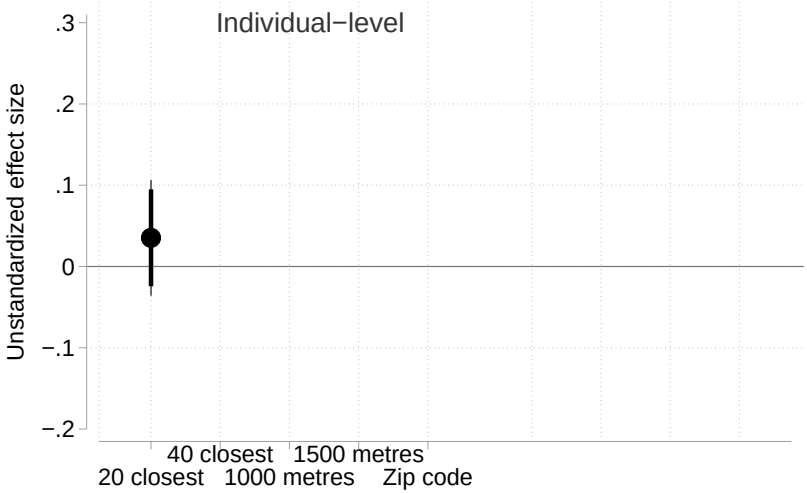
3 Results
- Precint-level data
- Individual-level data

4 Conclusion

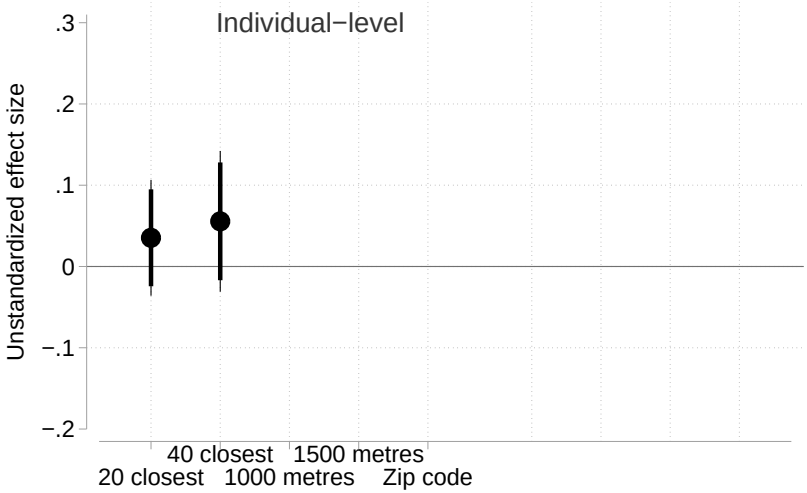
H1:


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

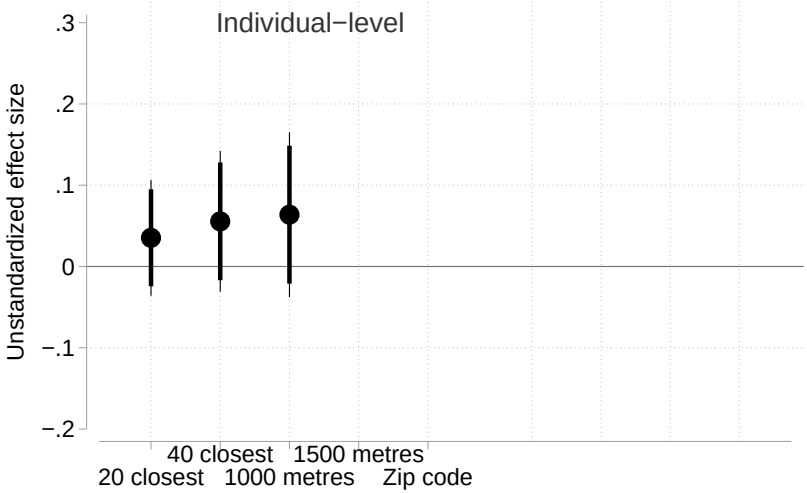
H1:


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

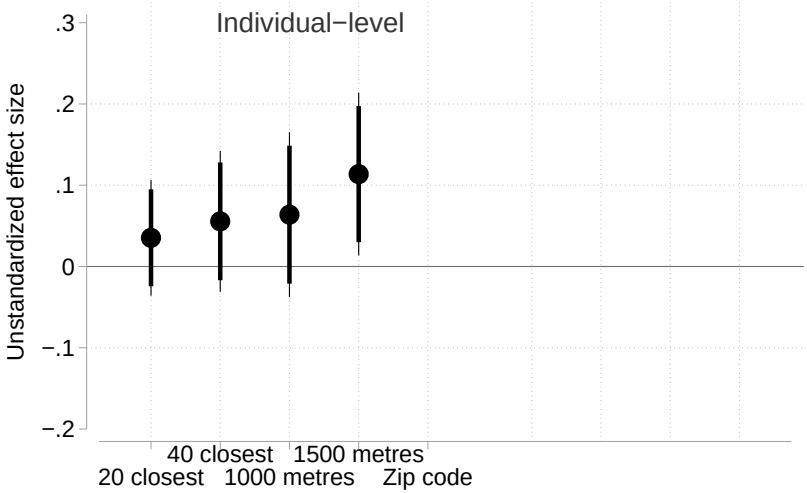
H1:


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

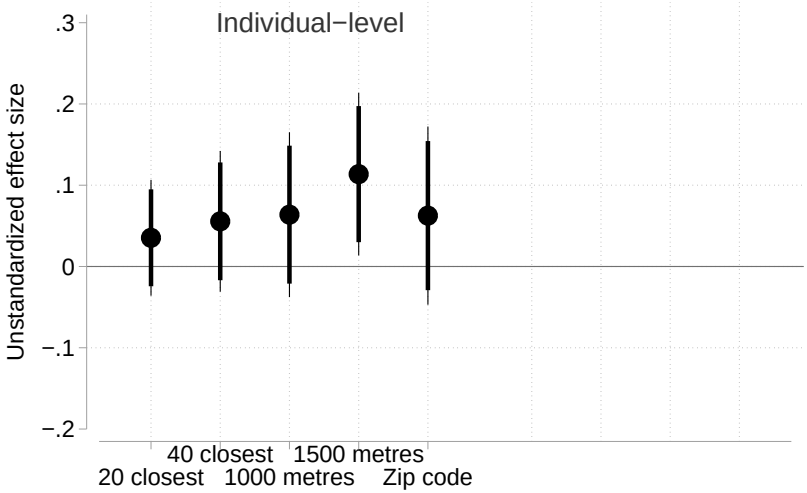
H1:


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

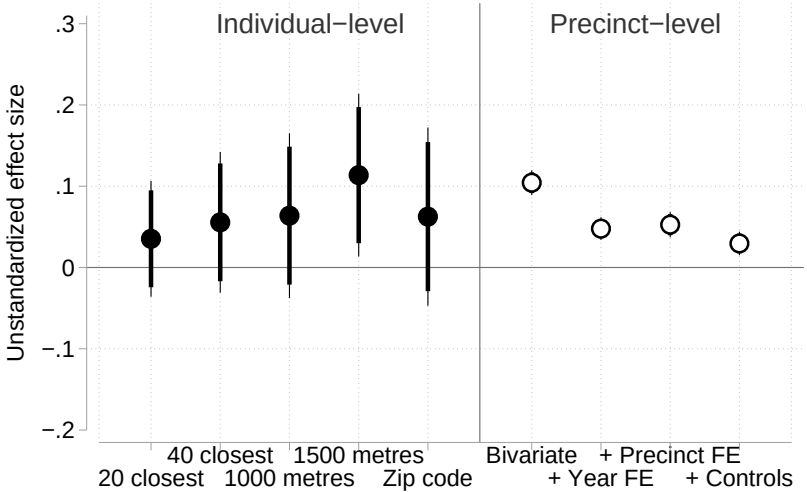
H1:


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

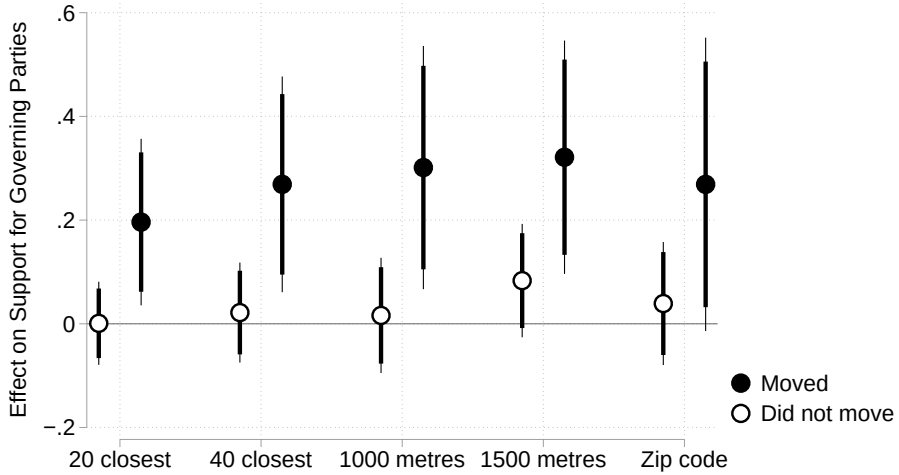
H1:


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

H1:


Individual−level
Precinct−level
Unstandardized effect size
.3
.2
.1
0
−.1
−.2
20 closest
40 closest
1000 metres
1500 metres
Zip code
Bivariate
+ Year FE
+ Precinct FE
+ Controls

H2:


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

1 Motivation

2 Data

3 Results

4 Conclusion

local economic conditions (housing prices) do drive incumbent support

$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets

$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

relevance of the local economy

- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

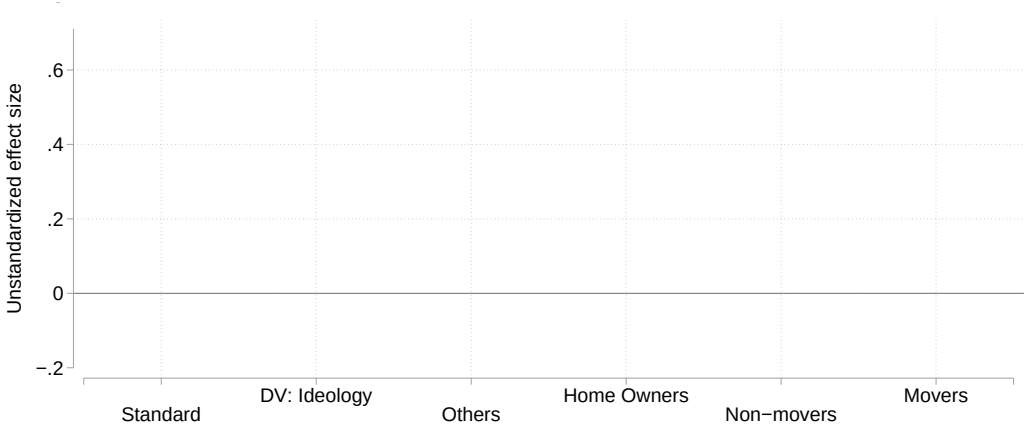
local economic conditions (housing prices) do drive incumbent support
$\rightsquigarrow$ effect stronger where/when individuals engage with the local housing market

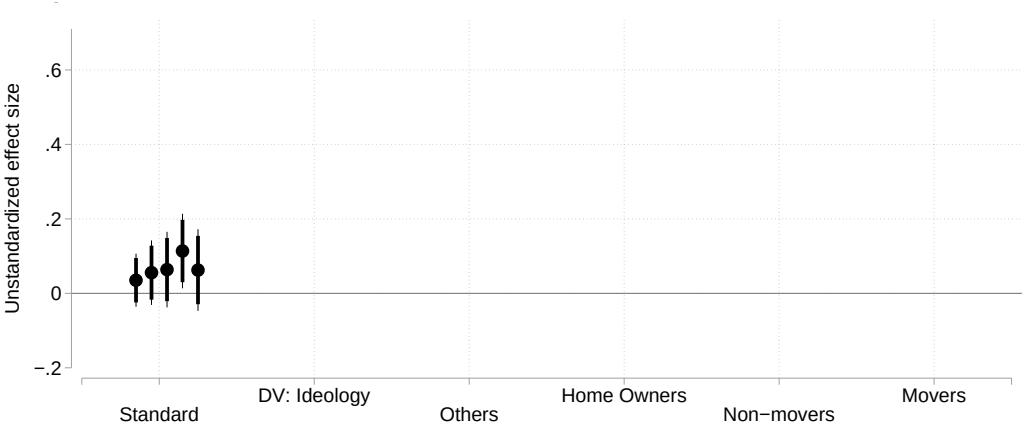
relevance of the local economy

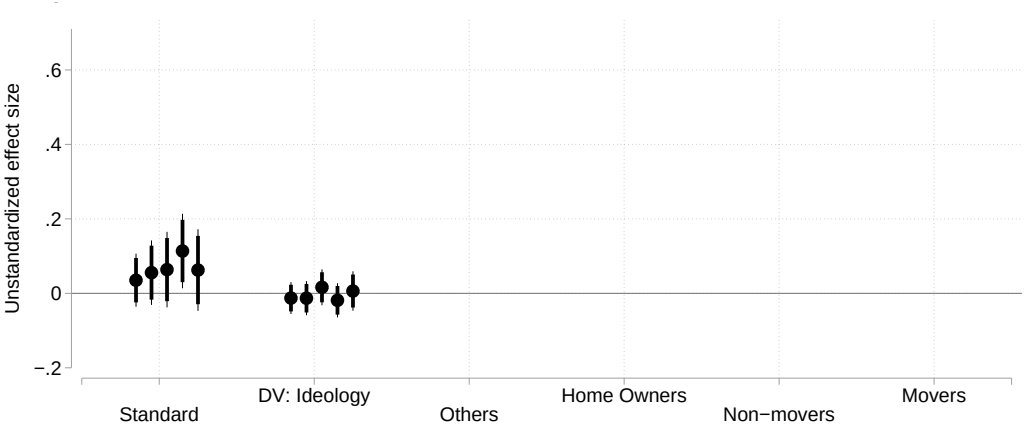
- individuals make inferences about incumbents based on how local community is doing
- pol's need to worry about 'geography of grievances'

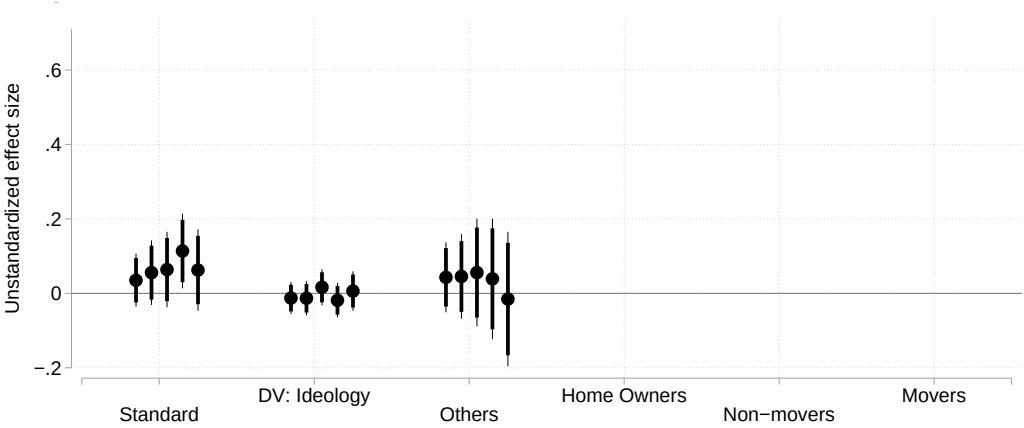
relevance of housing markets
$\rightsquigarrow$ citizens can flexibly shift attention to different aspects of the economy

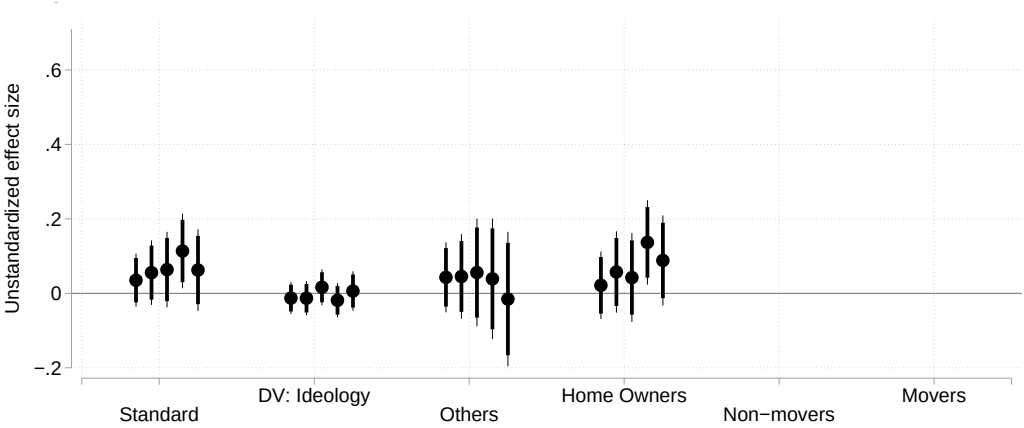
Thanks for your time!

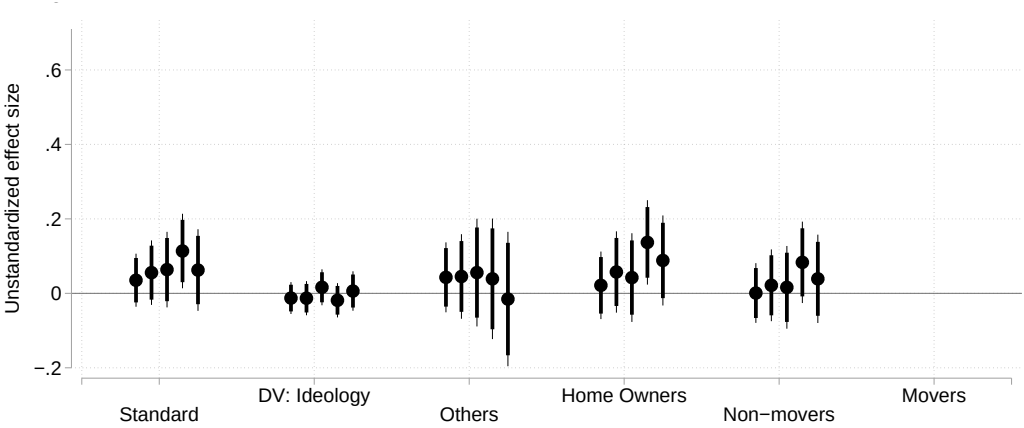

Unstandardized effect size
.6
.4
.2
0
−.2
Standard
DV: Ideology
Others
Home Owners
Non−movers
Movers

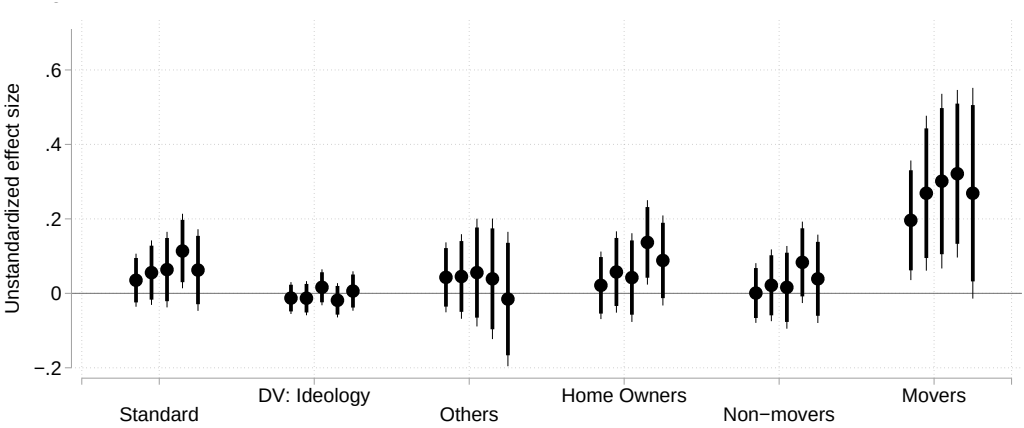

Unstandardized effect size
.6
.4
.2
0
−.2
DV: Ideology
Standard
Others
Home Owners
Non−movers
Movers


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


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


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


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


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