**Housing Bubbles and Support for Incumbents**

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The burst of housing bubbles in several Western economies in 2007 had profound consequences for the state of the world economy. However, relatively little is known about whether or how voters respond to housing bubbles. In this paper, we look at one country, Denmark, where government monetary and tax policies contributed to creating unusually high volatility in housing prices, thereby constituting a strong case for examining the impact of housing bubbles.

We ask if local differences in this--partly policy-driven--expansion and contraction of real estate prices shaped support for governing parties. Specifically, we test whether voters living in areas hit particularly hard by housing price changes responded by rewarding politicians where prices increased and/or punished where prices decreased. We do so using two complementary empirical approaches. First, we link detailed registry data on local housing prices to election results at the precinct level across five national elections, allowing us to study whether *within-district* differences in housing prices are related to differences in voter support for the incumbent.

Second, to test the hypothesized causal mechanism relating to information disseminated from local housing markets, we zoom in on individual voters’ local contexts. We utilize uniquely detailed data from Danish registries, which allow for precise measures of how individuals’ neighborhoods--measured at low levels of aggregation--were affected by the housing bubble. We link data on neighborhood price changes to a nationally representative panel survey running from 2002 to 2016.

The paper advances the empirical study of the political effects of housing price changes in several ways. First, unlike previous studies, we measure local economic conditions at a very small geographical level. Second, using panel data on both voters and precincts, we are able to take stable differences between individuals and local contexts into account, which is rarely done in the extant literature. Third, whereas previous studies have tended to rely on sample-based measures of local economic conditions, we rely on population-based measures, i.e. measures based on all housing sales in the economy.

Preliminary results suggest that voters do in fact factor in local housing price changes when deciding whether to vote for the incumbent government. These findings shed new light on how voters react to economic shocks in the local context, and in turn the incentives reelection-minded politicians face when dealing with housing bubbles. Since voters appear to react to changes in the local economy, the findings suggest that reelection-minded politicians should design policies with a view not just to the economy as a whole, but also the geographic distribution of economic grievances.

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