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Homeownership and voter turnout in u.s. local elections☆

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ABSTRACT

This paper provides evidence that economic self-interest associated with homeownership affects voter turnout in local elections in the United States. Compared to renters, homeowners are financially invested in their communities and are less mobile. Therefore, homeowners should care more about local policies and have incentives to engage actively in local politics. The disparity in political participation between homeowners and renters, however, should diminish in presidential elections for which policy discussions are more targeted at the national-level. These hypotheses are tested using census block group-level election panel data. Fixed effects models and a control function approach are used to identify the effect of homeownership on voter turnout in off-year mayoral elections relative to presidential elections. Results show that mayoral election voter turnout increases with the local homeownership rate. This suggests that local policies may tend to cater to the tastes of homeowners over renters.

1. Introduction

Local governments in the United States are the primary provider of local public goods and enact zoning laws that affect allowable patterns of land use. Collectively, local government expenditures also account for one-tenth of U.S. GDP and local governments collect as much in tax revenue as the federal government (Oliver et al., 2012). Nevertheless, compared to national-level elections, U.S. local races often have very low voter turnout. Table 1 summarizes mayoral and presidential election turnout rates from Philadelphia, Seattle and Chicago over the period between 2003 and 2013 (with turnout rates measured at the census block group level).[1] While presidential election turnout averages roughly 60%, mayoral election turnout is much lower, ranging from 20% to 40%. Turnout rate variation across census block groups – measured by standard deviation divided by the mean – is also higher in mayoral races. Given local government's consequential role, the limited turnout in local elections is a source of concern. The reason is that voter turnout could affect how local governments enact policies and whether local policies are representative of the electorate (Hajnal and Trounstine, 2005; Hajnal, 2009).

The question of why voter turnout is so low in local elections is related to the literature on the homevoter hypothesis (Fischel, 2001; Dehring et al., 2008; Brunner et al., 2001; Brunner and Sonstelie, 2003; Hilber and Mayer, 2009; Ahlfeldt, 2011; Ahlfeldt and Maennig, 2015). Previous studies by Fischel (2001) and others have examined how capitalization effects associated with local policies may affect home-voters preferences over local policy initiatives as compared to lease-voters. That literature, however, has largely overlooked related effects on local election turnout. This paper fills that gap by providing evidence that voter turnout in local elections is driven in part by voter economic self-interest related to homeownership status.

For two reasons, homeowners have stronger economic incentives to vote in mayoral elections relative to renters. From an investment perspective, the value of a homeowner's house – the largest investment for most U.S. households[2] – is tied to local fiscal services and amenities provided by the municipal government (Rosen, 1974; Ross and Yinger, 1999; Yinger, 2015). From a consumption perspective, homeowners are also less mobile and hence receive longer utility flows from local public goods. Renters, in contrast, are less financially invested in their communities and more mobile (Rosenthal, 1988; Ioannides and Kan, 1996). Therefore, renters are less likely to internalize the long run effect of their local political decisions and have less incentive to vote in local elections.

This paper empirically test if neighborhoods (census block groups)

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[1] For each city, the statistics are organized into three election cycles and the election cycles are four years apart.

[2] According to a report by The Federal Reserve Board, even at the bottom of 2008 housing crisis, housing wealth still counts as one-half of the total household net wealth in the United States. For the median household, housing wealth counts for almost two-thirds of their total wealth. Link: https://www.federalreserve.gov/pubs/ifdp/2011/1027/ifdp1027.htm.

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Table 1
Mean and dispersion measure of election turnout rate from three U.S. cities.

City	Election cycle	N	Mayoral election turnout		Presidential election turnout	
			μ	$\frac{\sigma}{\mu}$	μ	$\frac{\sigma}{\mu}$
Philadelphia	1	1129	0.42	0.26	0.62	0.19
	2	1129	0.25	0.36	0.66	0.24
	3	1129	0.16	0.43	0.60	0.26
Chicago	1	1874	0.24	0.45	0.53	0.32
	2	1874	0.26	0.42	0.61	0.26
	3	1874	0.33	0.36	0.55	0.32
Seattle	1	377	0.40	0.35	0.66	0.27
	2	377	0.45	0.31	0.70	0.23
	3	377	0.41	0.34	0.69	0.26

Note: The election turnout rates are measured at census block level. This election panel covers mayoral and presidential elections held between 2003 and 2013 for Philadelphia, Chicago and Seattle. The elections are grouped into three election cycles and the election cycles are four years apart. Each election cycle contains a mayoral election and a presidential election. The detail of the election grouping is summarized in Table 2.

with higher owner-occupancy rate have higher mayoral election turnout. However, it is well documented in the literature that homeownership and political participation may be endogenous correlated (DiPasquale and Glaeser, 1999; Keyssar, 2009; Engelhardt et al., 2010). Failing to control for unobserved confounders may bias estimates of the effect of the owner-occupancy rate on voter turnout.[3] To address the endogeneity concern, I use two strategies to control for block group level unobservables, a block group-level fixed effects model and a control function approach. Both models use presidential elections as the counterfactual.

National-level elections and related policy initiatives are by definition less focused on local issues, the provision of local public goods, and local property values. For that reason, and drawing on capitalization arguments from the homevoter literature, homeowners and renters should display more similar tendencies to vote in national elections relative to local elections, all else equal. Hence in a well-specified model, block group-level homeownership rates should not be correlated with presidential election turnout provided one sufficiently controls for socioeconomic differences between homeowners and renters. A similar idea is implemented in McCabe (2013). Using individual-level pooled cross sectional data from the Current Population Survey, McCabe (2013) finds that homeowners are more likely than renters to vote in both local and national elections. They also show the difference in tendency to vote is larger in local elections. Differing from McCabe (2013), this paper uses census block group-level panel data to test the hypotheses and controls for confounders using fixed effects models and a control function approach.

In the fixed effects models to follow, I assume that the block group-level confounders are time-invariant. After differencing away time-invariant unobserved confounders, the homeownership rate strongly affects mayoral election turnout but does not affect presidential election turnout. The sharp differences in estimates for mayoral and presidential elections provide evidence that economic incentives contribute to voter turnout and motivate homeowners to be more likely to vote in mayoral elections than renters.[4]

One may argue against the assumption that the block group-level confounders are time-invariant. Relaxing this assumption motivates my second identification strategy – the control function (CF) approach. I directly model the time-varying confounders in mayoral regressions as a function of presidential election turnout rate. To obtain identification, the CF approach imposes other moderate assumptions that are clarified later in the paper. Empirically the two models deliver very similar estimates.

An interpretation of my identification strategies is that, by controlling for block group-level unobservables, both models indirectly absorb individual-level confounders that contribute to residential sorting. According to the Tiebout sorting theory, households may sort into neighborhoods according to their needs and willingness to pay for local public amenities (Tiebout, 1956). In a sorting equilibrium, homeowners and renters living in the same neighborhood share lots of similar characteristics. Therefore, census block group-level unobserved attributes may correlate with the individual characteristics that cause the endogenous correlation between homeownership and voter turnout.[5]

To conduct the analysis, I assembled a novel election panel data for Philadelphia, Chicago, and Seattle over the period between 2002 and 2013. My key specification shows that when a census block group switches from fully rental into fully owner-occupied, its mayoral election turnout rate will increase by approximately four percentage points, which is equivalent to a 20 percent increase compared to the mean. The tenure composition change does not affect presidential election turnout.

Results from this paper suggest that renters are under-represented in U.S. local elections. As renters participate less in local races due to insufficient economic self-interest, local politicians may design policies to please the high turnout group - homeowners - to gain electoral support. Such favoritism may lead to policies protecting property value appreciation (e.g. strict zoning laws).[6] Glaeser et al. (2005) points out that change in land regulation regime explains the scarcity of house development in the most expensive U.S. housing market. Ortalo-Magne and Prat (2014) theorizes how homeowners affect urban growth control through the local political process. Total social welfare may also be impaired by the tightening housing supply as it impedes an efficient spatial allocation of labor (Hsieh and Moretti, 2015).

The remainder of the paper is organized as follows. Section 2 gives a detailed discussion of the empirical specializations and identification strategies. Section 3 provides a description of the data source and summary statistics. Section 4 presents the empirical results and robustness check. Then the paper ends with some concluding remarks in Section 5.

2. Empirical specification and identification

The basic empirical specification is given as follows:

[3] There has been a few attempts in the literature to address the endogeneity. For instance, DiPasquale and Glaeser (1999) and Holian (2011) instruments individual homeownership using group-average homeownership rates from the corresponding socio-demographic groups. However, their instrument is far from perfect since individual unobservables may correlate with membership to a socio-demographic group. Engelhardt et al. (2010) exploits the random assignment of home-purchase subsidies to low-income renters in a field experiment conducted in Tulsa, Oklahoma. Despite a cleaner study design, their sample is not representative of the general population and the sample size is limited.

[4] That interpretation is further strengthened by including household mobility controls (principally census block group residential turnover rates) into the model to help separate investment and consumption motives for voter turnout. Several other time-varying block group level socioeconomic attributes are also taken into account, including education, income, age distribution, share of households that are married, and racial composition. As noted above, the most robust models include block group-level fixed effects and identify off of within-block group temporal variation in the data.

[5] Indeed, Minkoff (2014) finds that the quality of city-provided public goods in a community is highly correlated with residents tendency to vote in New York City.

[6] In San Francisco, a city with a roughly thirty-five percent owner-occupancy rate, households organize into hundreds of politically powerful neighborhood groups (e.g., Telegraph Hill Dwellers) to promote policies limiting new house development. See *Kim-Mai Cutler*, "How Burrowing Owls Lead To Vomiting Anarchists (Or SF's Housing Crisis Explained)", TechCrunch, April 2014. Link: http://techcrunch.com/2014/04/14/sf-housing/.