The Ongoing Housing Crisis and the Rust Belt Revolt for the GOP

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Since Donald Trump's electoral-college victory in November's presidential election, analysts have looked to the long-term economic decline and sectoral shifts of Rust Belt states as one explanation for the collapse of Hillary Clinton's reliable "blue wall." Elora Raymond points to the ongoing housing crisis—with thousands of homes still "under water," or with negative equity—in Rust Belt communities as another significant factor in explaining voters' disaffection with the status quo in the region.

One of the most interesting stories to come out of the current election is the rise in support of rural voters in Wisconsin, Michigan, and Pennsylvania for the Republican presidential candidate, Donald J. Trump. Many have argued that the Rust Belt revolt emerges from sectoral shift in labor markets (Edsall 2016). According to this view, change in partisan affiliation in the Rust Belt is the result of increasing globalization and trade, and concomitant declines in American manufacturing wages and jobs. Others suggest that declining unionization allowed former democratic voters to embrace a divisive candidate when, formerly, unions helped forestall racial divides in the Rust Belt and Midwest (McQuarrie 2016).

However, empirical research suggests that the relationship between manufacturing decline and support for the GOP is not so straightforward. Union households broke only slightly for the Democratic candidate, unlike past elections (Hesson and Levine 2016). Another researcher used Gallup Survey data of 125,000 Americans during the presidential election to determine the characteristics of Trump supporters (Rothwell and Diego-Rosell 2016). Rothwell and Diego-Rosell find that Trump supporters are less likely to be exposed to trade, less likely to live near immigrants, are higher-income than other Republicans, even when the comparison is restricted to White Republicans. Other survey research finds that Republican attitudes towards trade plummeted during the 2016 election. We can infer from this timing that Trump's rhetoric, not economic realities, are driving those views, and that frustration with trade may well be symbolic rather than a transparent expression of economic distress due to globalizing labor markets (Pew Research Center 2016).

For these reasons, it has been difficult to make an economic case for the shift towards the GOP, and cultural explanations have risen to the fore. Certainly, there is evidence to back this up: Rothwell and Diego-Rosell found that Trump supporters are higher-income, but with lower social status, being far more likely to have a high-school education, and to live in communities with high rates of disability and mortality due to alcohol, drug abuse, and other lifestyle illnesses. Furthermore, they live in areas that are predominantly White.

One possible connection between economic decline, voter economic insecurity and rising support for the GOP, however, is the housing crisis. Overall, the housing crisis remains a widespread concern. Last summer's MacArthur Foundation opinion survey found that 8 in 10 Americans felt that the housing crisis was still ongoing (MacArthur Foundation 2016). Rothwell and Diego-Rosell's (2016) research indicates that Trump's supporters live in areas with higher mortgage income-tax deductions, suggesting that they may be highly leveraged. He did not find that Trump supporters lived in places with large home price declines, but his sample was nationwide, so regional home-price dynamics in the Rust Belt may be obscured.

During the post-crisis era, rural areas and the shrinking cities in the Rust Belt suffered high rates of foreclosure and negative equity. Like Trump supporters, homeowners tend to be higher-income than renters. Yet due to the housing crisis, many homeowners see their household net worth declining. Overall, building equity through homeownership is less straightforward for middle-class homeowners than it was in the past. Since the mid-1990s, housing wealth inequality has risen swiftly, declining briefly during the housing crash, then widening sharply again during the recovery period, with many homeowners finding their nest egg dwindling, while a few in strong markets increasingly gaining home equity.

Could it be that Trump supporters' economic distress is immediately related to the housing-market crisis and declines in household wealth, not shrinking incomes and shifting labor markets? In order to see whether there is a connection between support for the Republican candidate and the housing crisis, I look at three swing states in the Midwest and Rust Belt: Wisconsin, Michigan and Pennsylvania. I ask whether county-level negative equity correlates with an increase in support for Donald Trump in 2016 over Mitt Romney in 2012.

I assemble a county-level dataset of the change in GOP support between the 2012 and 2016 presidential elections. I look at whether factors like education, employment sector, racial demographics, and income can explain the association between negative equity and support for the Republican presidential candidate from 2012 to 2016. The data for this analysis are summarized in Table 1.

Table 1. Summary statistics

Variable	Mean	Std. dev.	Min.	Max.	Source
Percentage change in GOP support, 2016 vs. 2012	7.92	5.84	–9.96	24.78	Townhall. com
Percentage of homes in negative equity	14.72	5.41	5.02	32.43	Zillow.com Q2 2016 Negative Equity Report
Percentage of men with high-school education	39.62	7.53	15.83	55.56	ACS 2010–2014
Percentage of workers in agriculture	3.54	2.53	0.22	12.39	ACS 2010–2014
Percentage of workers in manufacturing	16.60	6.16	3.28	39.61	ACS 2010–2014
Percentage taking supplemental social insurance as income	5.39	1.62	2.32	11.14	ACS 2010–2014
Labor participation rate (> age 16) (%)	59.78	7.38	23.81	74.19	ACS 2010–2014
Percentage of population who are Black	3.54	5.90	0.18	43.04	ACS 2010–2014
Gini coefficient of income	0.43	0.02	0.37	0.51	ACS 2010–2014
Median household income ($)	48,015	8,979	28,872	86,093	ACS 2010–2014
Population density (per square mile)	284	918	4	11,535	ACS 2010–2014
Total population	135,677	241,327	2,197	1,790,078	ACS 2010–2014

ACS: American Community Survey, US Census Bureau.

Table 2 plots the 10th, 25th, 50th, 75th and 90th percentiles for county-level change in support for the GOP presidential candidate from 2012 to 2016, and corresponding average percentage of homes in negative equity in each of these bins. Counties that became increasingly Republican have higher levels of negative equity. This is true nationwide, as we'd expect given the wide swaths of negative equity in red states, and high home prices in California, New York and Massachusetts. But it also remains true when I isolate three swing states: Wisconsin, Michigan and Pennsylvania.

Table 2. GOP support by negative equity

Nationwide change in GOP support		Average percentage of homes in negative equity
10th percentile	–2.7%	11.7%
25th percentile	1.3%	13.8%
50th percentile	5.8%	14.1%
75th percentile	10.1%	14.7%
90th percentile	13.8%	15.7%
Change in GOP support in Wisconsin, Michigan and Pennsylvania		Average percentage of homes in negative equity
10th percentile	0.5%	11.5%
25th percentile	3.5%	11.7%
50th percentile	8.7%	15.0%
75th percentile	11.9%	15.9%
90th percentile	14.6%	17.9%

In the next analysis, I go beyond other analyses like that in Table 2, which show a simple correlation between negative equity and Trump support, and control for other factors like declining employment in manufacturing that could explain that association. I perform a regression analysis to see whether the negative equity is correlated with support for the GOP presidential candidate even after controlling for other economic and social factors. Like Rothwell and Diego-Rosell, I look at education levels and employment sector, as well as the percentage of households on disability who are taking supplemental social insurance (SSI) as income. I also measure employment, racial composition (percentage of the population who are Black), income, income inequality, population density and the size of the county (total population).

The results in Table 3 show how increases in each variable by one standard deviation affect support for the GOP presidential candidates from 2012 to 2016. The beta coefficient measure is useful because it shows the relative impact of variables, so we can see which variable is creating the largest change in GOP support from 2012 to 2016. In the first line, as the percentage of homes in negative equity increases by one standard deviation, or 5.41%, Trump outperforms Romney by 0.126 standard deviations, or 0.73%. This relationship is dwarfed by the effect of education, SSI income, and racial composition, but the effect is larger than our measures of labor sector, which are too close to zero to be significant. These results suggest that counties where most employees work in manufacturing or agriculture did not consistently see increases in support for the GOP; if anything, these counties were more likely to reduce support for GOP candidates from 2012 to 2016. The results call into doubt the idea that sectoral change is the primary cause of support for the GOP, though since voting is not strictly a zero-sum game, it's possible sectoral change is related to declining support for Clinton relative to Obama.

Table 3. Regression results

N = 205 counties; R-squared = 0.73

Dependent variable	Beta coefficient	1-std.-dev. increase in dependent variable	Percentage change in GOP support
Percentage of homes in negative equity	0.126	5.41	0.73%
Percentage of men with high-school education	0.695	7.53	4.06%
Percentage of workers in agriculture	–0.076	2.53	–0.45%
Percentage of workers in manufacturing	–0.079	6.16	–0.46%
Percentage taking supplemental social insurance as income	0.200	1.62	1.17%
Labor participation rate (> age 16) (%)	–0.136	7.38	–0.79%
Percentage of population who are Black	–0.275	5.9	–1.61%
Gini coefficient of income	–0.071	0.02	–0.42%
Median household income ($)	0.085	8,979	0.50%
Population density (per square mile)	–0.054	918	–0.31%
Total population	0.150	241,327	0.88%

Highlighted rows are statistically significant at the p > 0.05 level.

Even if Trump support comes from places with higher rates of negative equity, it's hard to say exactly how material concerns translate into political beliefs and voting. Quantitative analyses of this election haven't performed well: very few numerical analyses of voter polls predicted a GOP win, while historians and documentary filmmakers did, and provided compelling theoretical explanations for the 2016 electoral outcome. In any event, many quantitative analyses of swing voters in this election point right back to complex social factors like race, and education, and away from mechanical desires to maximize wealth or income.

Nonetheless, political analysis and strategizing continues to foreground labor policy and political identification driven by labor, even though the data on employment, labor sector and income don't confirm these assumptions. If there is underlying economic distress, what if it is about the erosion of the American dream of homeownership, and declining places that need revitalizing? If so, what would a politics rooted in housing and place look like?

In the throes of the Great Depression, Herbert Hoover redefined conservatism in part by selling America on the dream of owning a single-family home. Today, homeownership is at a 50-year low while urban rents are swiftly rising, in part because housing policy under the Obama administration was too little, and too late, leaving many communities—rural and urban—behind. Yet under the incoming Republican administration, we expect even fewer government supports for construction or renting affordable housing, and fewer subsidies to lower- and middle-class homeownership. We expect trends to continue towards declining urban rental affordability, and in the owner-occupied sector, increasing housing-wealth inequality. Our shifting housing and mortgage markets have created new ways of distributing wealth, and new axes of struggle over that distribution (Kear 2013). Renters and homeowners have typically been one divide; homeowners too are increasingly tiered into groups who are able to accumulate wealth and can access credit, and those who cannot. Deregulation paired with exclusionary zoning cannot solve these problems for average Americans, nor can they effectively address trends of suburbanizing poverty and rising urban land prices. Yet the incoming administration's Treasury Secretary nominee hopes to privatize the government-sponsored enterprises (Fannie Mae and Freddie Mac) with the goal of reducing competition with private-label mortgage securitizers. GOP congressional leaders have suggested chipping away at some of the protections around low-risk lending provided by the Consumer Finance Protection

Board and Dodd–Frank, instituted after the housing crisis to prevent a repeat of the subprime and foreclosure crises of the Bush administration (Immergluck 2016). Incoming HUD chair Ben Carson's policy preferences are unknown, apart from declarations that the 2015 Affirmatively Furthering Fair Housing rule must be rescinded (Mallach 2016). If the GOP base's concerns about the economy are even partly related to their declining grip on homeownership and housing wealth, then these changes to housing and mortgage market policies may be more politically destabilizing than ever.

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Further reading

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Appendix

. reg changeg negative_equity_percent_of_homes maleHSgraduate agriculture pctmanufacturing SSIincome participation pctbl gini medianhhincome popdens totpop if swing==1, beta robust

Linear regression
Number of obs   =   205

F(11, 193)   =   48.85

Prob > F   =   0.0000

R-squared   =   0.7329

Root MSE   =   3.1005

Robust

	Coefficient	Std. error	T	P>t	Beta
negative_equity_percent_of_homes	0.135575	0.052982	2.56	0.011	0.125663
maleHSgraduate	0.539052	0.050399	10.7	0	0.695241
agriculture	-0.176364	0.117713	-1.5	0.136	-0.076437
pctmanufacturing	-0.07511	0.048997	-1.53	0.127	-0.079346
SSIincome	0.720108	0.23483	3.07	0.002	0.200118
participationrate	-0.107303	0.043426	-2.47	0.014	-0.135698
pctbl	-0.27251	0.051796	-5.26	0	-0.275385
gini	-17.84687	12.66314	-1.41	0.16	-0.071182
medianhhincome	5.55E-05	4.53E-05	1.22	0.222	0.085363
popdens	-0.000342	0.00026	-1.31	0.19	-0.053842
totpop	3.63E-06	1.62E-06	2.24	0.026	0.150089
_cons	-5.519707	7.341254	-0.75	0.453	