

The Political Effects of Local Property Taxation in Norway

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ABSTRACT The property taxation is perhaps the most controversial policy issue in Norwegian local authorities. Municipalities enjoy autonomy to decide whether or not to introduce property taxation. However, national legislation sets limits on property tax rates. The conflict over the property taxation follows the traditional left-right ideological division. This study analyses whether the introduction of property taxation in individual municipalities leads to political repercussions for the pro-tax parties in terms of weakened voter support. By using the data from the 2003 and 2007 local elections, the analysis reveals that, contrary to our expectations, the support for the left-wing parties is stronger in the municipalities that have introduced such taxes than in other municipalities. There are no signs that the pro-tax parties are being punished by the voters. To the extent that there are any such negative repercussions, it seems that the right-wing anti-tax parties suffer vote losses, but these losses are moderate.

KEYWORDS: • local politics • property taxation • economic voting • ideological conflicts

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1 Introduction

A few political issues give rise to more conflicts than the introduction of taxes, the stipulation of the total tax burden, and the distribution of this burden across various groups of citizens and business organisations. Disagreements over taxation constitute the very core of political and ideological conflicts along the “classical” left-right dimension. The determination of the total tax revenue, registration of taxable objects, and the degree to which tax rates exhibit progressive features (for redistributive purposes) contribute to determining both the opportunities for and the limits to public intervention in society. Furthermore, tax collection has a direct impact on all voters in a fairly visible manner, although the actual burdens of various types of taxes may vary somewhat between the voters.

Since any increase in taxes causes a direct material detriment to the voters, the potential for voter mobilisation against proposals to levy new taxes or increase the existing ones is considerable. As G. Peters (1991) has suggested that “the trick for government is to find ways to pay for themselves and their services, while escaping the wrath, or perhaps even the notice, of their citizens” (p. 1). This may modify the ideological inclination particularly of the left-wing parties to increase taxes. On the other hand, the potential for gaining votes by promising significant tax cuts may be rather restricted, at least as far as Norway is concerned. According to a recent Norwegian national election study, altogether 77 percent of the voters were of the opinion that maintaining a high level of public service provision was preferred to tax cuts, and this opinion was shared by the majority of voters from all major political parties (Aardal, 2007 b). Despite the broad consensus regarding the total level of taxation, certain elements of the tax system have often been quite controversial and heavily disputed – also from an ideological angle. One such disputed element is the right of the municipalities to levy property taxes. In the 2007 local elections, this issue was in the forefront of the political debate during the election campaign. The property tax is not a mandatory part of the local tax system in Norway, nor is it an important revenue source for the municipalities. In 2007, local property taxation constituted no more than 2.5 percent of the total local government revenue, and only 62 percent of municipalities levied this type of tax (Rapport fra Teknisk beregningsutvalg for kommunal og fylkeskommunal økonomi, 2008). The purpose of the current study is to analyse the possible effects of local property taxation on the voting pattern in the 2007 local elections. In a study on local revenue policies in Denmark and Norway, Blom-Hansen, Monkerud and Sørensen (2006) observed a strong and significant effect of the proportion of socialist seats in local councils on the probability of levying a property tax (Norway) and/or on the property tax rate level (Denmark). The question asked here is to what extent the use of property taxes produces any political repercussions in terms of weakened support for the parties that are in favour of such taxes, or increased support for the parties opposing such taxation (cf. Rose, 1985). Before we proceed to a specification and discussion of our analysis model, it may be useful to

describe the political, economic, and legal settings of the local government revenue system in Norway.

2 The Political Salience of Property Taxation

Over the past decades, the idea of an autonomous system of local government in Norway has been increasingly challenged by a fast-growing welfare state where municipalities have been charged with the task of implementing a considerable proportion of the public welfare service provision (Hansen, 2005). On the one hand, this development has provided the local authorities with considerable powers and resources in shaping policies initiated by the national government in accordance with their own local needs. In 2007, local government spending accounted for 27.2 percent of all public spending, which is equivalent to 13 percent of GNP (Rapport fra Teknisk beregningsutvalg for kommunal og fylkeskommunal økonomi, 2008). On the other hand, when performing these tasks, local authorities are faced with a comprehensive national legislation that puts rather strict limits on the extent to which they may exert independent discretion in setting their policy priorities. Generally, the Local Government Act of 1992 provides Norwegian municipalities with a high level of autonomy, based on the principle of negatively restricted competences. This principle is supported by a revenue system where earmarked state grants constitute no more than around 15 percent of total revenues, and where general block grants amount to less than one-fourth of the revenues. The major share of total revenues comes from local income taxes (44 percent). In principle, municipalities are free to spend these general revenues according to their own needs and priorities. In reality, their obligations as providers of welfare services leave the local authorities with limited financial resources to pursue other tasks and policies than those laid down in the welfare legislation. There is, however, one important exception to this, and it relates to the possibilities that local authorities have to raise property taxes. Local authorities are free to decide whether property taxes should be charged in their municipality. However, national legislation does define lower and upper limits to the tax rate that may be charged.

Seen in a historical perspective, the property tax was the principal local revenue source over the first fifty years after the enactment of the modern local government system in 1837. Furthermore, during the 19th century, voting rights were solely restricted to property owners with tax obligations, and the major functions and tasks of municipalities were related to the development and maintenance of the local technical infrastructure. Until the universal voting rights were established during the first decade of the 20th century, local government was regarded (and actually served) as an economic association of property owners with a dual interest in municipal activities and taxation (Flo, 2004). On the one hand, these voters would support municipal activities that contributed to an increase in the value of their property. On the other hand, it would be in the interest of the property owners to keep the property taxation level as low as possible, either through a moderate property value assessment or through a low tax rate. W.A. Fishel (2001) characterises this as a “benefit view of the property tax” where local government is

viewed as a municipal corporation in which shareholders are resident homeowners (Fishel, 2001, p. 41). There was an assumption that the capitalisation in terms of an increase in property values would take place as a consequence of this service provision (Oates, 1969; Fishel, 2001). The better the collective local infrastructure, the more attractive the community would become, which would in turn materialize in higher housing/property values.

Even if such relationships do exist, this is not primarily due to the use of property taxes as a municipal revenue source. As noted in the introduction to this study, property taxation constitutes a rather marginal element in the current local revenue system. In this sense, the property tax effect on property values is negligible. It may even be negative in the sense that people may “vote by their feet” when choosing what municipality to live in, avoiding municipalities levying property taxes (cf. Tiebout, 1956).

Despite the marginal substantive importance of property taxation, the issue has generated rather intense political conflicts that follow the traditional left-right-dimension (Noer, 2007; Fiva & Rattsø, 2007). In an attempt to explain dissatisfaction with this type of tax, W. E. Oates (2001) has suggested four possible sources. Firstly, property taxes are more visible than other taxes. This is mainly due to the fact that the home owners receive explicit tax bills in contrast to income tax that is deducted before people receive their pay cheques. Secondly, property value assessment practices may differ across local jurisdictions. This gives rise to inequalities in tax burdens. They are regarded as illegitimate. Thirdly, there is often an imperfect association between homeowner incomes and their tax liabilities. The central argument has been that a fairly high proportion of homeowners are retired persons living on a rather limited pension. For these people, property taxes are regressive, and they represent a heavy economic burden. Finally, there may be significant differences in the tax base across local jurisdictions. In order to maintain the same level of local service provision, the municipalities with a weak tax base have to charge higher tax rates than wealthier municipalities (Oates, 2001: 23-25).

As the above arguments indicate, it is not the tax burden as such that makes property taxation unpopular. In fact, in an average Norwegian household, local income taxes are around 20 times higher than property taxes, but very few people complain about the income tax. Based on this assumption, one may wonder why local authorities choose to levy property taxes at all. Here we are going to suggest some possible answers to this question.

In the first place, the extra revenue obtained by property taxes may provide an opportunity for the local councillors and political parties to attain some objectives that are not fixed by the legislation, which contributes to demonstrating the priorities and ideological profiles of various parties – even if they have a more symbolic than substantive value. In the second place, recent changes in the Norwegian legislation imply that property taxes may also be charged on holiday homes in addition to ordinary and permanent households (Noer, 2007). This implies

that the link between local voting rights and tax obligations has been broken. Since most owners of holiday homes have their permanent residence in other municipalities, they are not eligible to vote in the municipalities where their holiday homes are located. This also implies that in the municipalities with many holiday homes, the local political leadership is not likely to suffer any severe repercussions in terms of reduced voter support due to charging such taxes. In the third place, many municipalities find themselves in a position where income taxes and government grants are insufficient to fully cover the expenses for the provision of legally imposed services. Rather than decreasing the level of spending by cutting the provision of services, they choose to charge property taxes to compensate for a lack of other revenues.

While the first two reasons for levying property taxes may be ideologically motivated, the last justification is more likely to receive broad political support across various parties irrespective of their ideological leanings. In the present analysis, we are unable to distinguish between the various motives that have justified the introduction of local property taxes in individual municipalities. However, our analysis models account for additional factors in explaining voter support for various parties. With regard to the centrality of the tax issues in the campaign prior to the 2007 election (Bjørklund, 2009), our general hypothesis is that the left-wing parties faced opposition in the municipalities that had introduced property taxes before the election, while the right-wing parties that had opposed the use of such taxes benefited in terms of increased voter support.

3 Analysis Model

The general approach adopted in this study is partially similar to the models of economic voting where the major thesis is that the government's economic performance influences the voting pattern (Kramer, 1971; Nordhaus, 1975; Paldam, 1981; Lewis-Beck & Paldam, 2000; Jérôme & Jérôme-Speziari, 2000). According to this approach, successful governments will gain support from the electorate, while poor performance will lead to the diminished support for the incumbent government.

The validity of this theoretical approach depends on some assumptions that may turn out to be rather problematic in interpreting the relationship between economic performance and support for a particular government. The first problem concerns the relative importance of economic factors compared to political ones in accounting for the voting pattern. In making such assessments, a major problem occurs due to asymmetry regarding data availability with respect to political factors, implying a tendency to employ more economic variables than political ones in analysis models (Paldam (1981). Despite this asymmetry, the effects of economic factors are generally rather moderate or even weak (Schneider, 1984; Lewis-Beck & Paldam, 2000; Narud & Aardal, 2007).

The second problem is related to what has been termed the responsibility hypothesis. It assumes that voters hold the incumbent government responsible for the economic events (Lewis-Beck & Paldam, 2000: 114). It may be true that voters may blame their national political leadership for the problems, but such causal links between economic performance and political reactions from the voters need to be developed and demonstrated more clearly than by just observing the statistical relationship between economic performance indicators and a voting pattern. The causal links between aggregate economic performance and voters' reactions in terms of increasing or decreasing support for the incumbent political leadership are far from being obvious, and not necessarily in the direction hypothesized in the literature on economic voting. The point here is that economic models of voting are based on the assumption that most voters interpret these economic indicators in more or less the same manner – at least as far as the government's responsibility for the situation is concerned. As Narud and Aardal (2007) have shown, this assumption is not supported by empirical evidence. Voters do not share a common judgement of the economic situation, and they also differ in their evaluation of the future economic prospects. The phenomena that lead to a further complication in this relationship have possible implications which good government performance may have in rising expectations for further economic progress and increased public service provision. The gap that might exist between such expectations and actual performance may give rise to increased dissatisfaction with the incumbent political leadership despite successful performance judged by objective criteria.

The third problem concerns the absence of measures of the policies actually conducted by the incumbent government in the analysis models. Democratic governments perform no direct control at the levels of economic growth, inflation, and unemployment. The best they can do is to implement various policy measures that may have effects on these major economic targets, but there are no deterministic relationships between such policy measures and the actual economic performance. In fact, what policy measures to take is normally the matter of an ideological conflict where a major challenge for the political parties is to convince the voters that their preferred policies are the most efficient measures to achieve various economic targets. By focusing more on the actual policies conducted rather than on the general economic performance, clarity of responsibility is emphasised. In the case of local property taxes, most Norwegian voters are able to distinguish between the positions of various political parties. During the campaign prior to the 2007 local election, the Norwegian National Federation of House Owners made a public appeal to voters not to vote for the parties that were in favour of levying property taxes, i.e., the Labour Party and the Socialist Left Party. The campaign further contributed to enhancing the clarity of political responsibility on this particular issue (Noer, 2007: 52-55).

In this study, the units of analysis are the municipalities within one country, i.e., Norway. Since all the municipalities experience the same general economic situation, the traditional explanatory variables (employed in studies of economic voting) may not be used or need to be modified. Municipalities may indeed differ

when it comes to the local consequences of the country's economic situation, but the economic performance indicators may not be easily disaggregated to the local level. Another factor, which implies that the current study deviates from the National Election Studies, is that it is hardly possible to make any clear distinctions between a ruling coalition and a stable opposition at the municipal level in Norway (cf. the discussion by Martinussen, 2004). Broad party coalitions (based on the principle of proportional representation where the coalition partners may differ from one municipality to another) have been a common mode of governing the municipalities. In this system, it is therefore not possible to identify a distinct incumbent ruling coalition to be supported or penalized by the voters. Individual parties (not a diffuse and unstable party coalition) are supported or penalized in local elections. There are few issues to be handled by local authorities that are particularly divisive along traditional ideological dimensions, but studies of local budgetary decisions have revealed certain differences between left-wing and right-wing parties (Hansen & Kjellberg, 1976; Hansen, 2005; Hagen & Sørensen, 2006). Property taxation is a prominent example of such divisive issues, and we expect the introduction of such taxes in municipalities to have negative effects on the support of the left-wing parties, irrespective of whether or not they are part of the local majority coalition. Similarly, we expect the right-wing parties to increase their voter support in the municipalities where property taxes have been introduced.

To study these relationships, we are going to employ two different models where the differences between them are mainly linked to the operationalisation of dependent variables (cf. Bingham Powell & Whitten, 1993). In the first model, the dependent variable is defined as a percentage of the total votes won by the party group in question in the 2007 election. In the second model, the change in the percentage of votes won by the various party groups between the 2003 and 2007 elections is used as our dependent variable. These two operationalisations give rise to different interpretations of the effects of the independent variables, and particularly the use of property taxes in municipalities. By using the first type of the dependent variable (the percentage of votes for a party), we are able to analyse whether property taxes and our other related independent variables have an impact on the distribution of votes for the parties across municipalities. The second dependent variable may be interpreted as a measure of the political repercussions that the use of property taxes may have in relation to the parties.

As far as the independent variables are concerned, they are identical in the analysis of both dependent variables. We did, however, consider the possibility of using the changes in independent variables in the analyses of the changes in party support between 2003 and 2004. However, with the possible property tax exemption, we have seen no convincing theoretical justification for such a reformulation. Therefore, we have settled for the same set of independent variables in both analyses. These variables may be divided into three groups:

- a) General socio-economic features of municipalities
- b) Social conditions/measures of the standard of living within municipalities

c) Public measures/municipal policies

The first category includes three variables: (i) population size (log), (ii) percentage of the workforce employed in primary industries (agriculture and fishery), and (iii) percentage of the population aged 60 and over. All three variables may be justified as explanatory factors seen in the context of a property tax policy. As noted before, one argument against a property tax is that such a tax is particularly burdensome for old age pensioners. A substantial proportion of retired people (most of them above 60 years of age) live in single-family houses owned by them, but has reduced economic abilities to pay property taxes. Against this background, we expect a negative effect of the proportion of voters over 60 on the percentage of the votes for pro-tax-parties, and a positive effect on the proportion of votes won by anti-tax parties. As far as the industrial structure of a municipality is concerned, municipalities with a high proportion of employment in primary industries are more likely to host holiday homes compared to more urban municipalities. As suggested before, the possibility of charging property taxes for holiday homes may make this type of tax quite attractive, particularly seen from a redistributive perspective. We therefore expect this variable to exert a positive effect on voting for pro-tax-parties. Finally, there has traditionally been a positive relationship between a municipality's financial abilities and its population size. Larger municipalities are generally richer than smaller ones. This leads to a hypothesis that the municipalities with a small population are more likely to vote for the parties that are in favour of the measures that may strengthen their revenues.

As far as social conditions are concerned, two variables are used. They include (i) an index for measuring various aspects of local living conditions, including measures of mortality, the number of people receiving disability pensions, the proportion of the population receiving financial support for rehabilitation, and temporary financial assistance; social assistance level, unemployment level, education level, and (ii) percentage of single-family house ownership. We have ascertained that the better the living conditions are, the less likely the voters are to support pro-tax-parties. Furthermore, since property taxes are both higher and more visible to single-family house owners, we expect a negative effect of such house ownership on the support for pro-tax-parties.

The municipal policy measures include three variables: (i) gross expenditures per capita, (ii) state grant per capita, and (iii) the presence of property taxes in municipalities – measured as a dummy variable, and where value 1 denotes municipalities with property taxes in 2006. We expect the property taxes to have a negative effect on the electoral support for the left-wing parties, and a positive effect on the support for the right-wing parties. Furthermore, we expect the level of total spending to be positively related to the support for the right-wing parties. The higher the level of total spending per capita, the lower is the need to use additional revenue sources to maintain an acceptable level of local service provision. We also expect the state grants to have a similar effect on support for various parties: the

higher the level of financial grants from the state, the higher the support for the parties opposing the property tax.

The reference year for all data – with two exceptions – is 2007, i.e., the election year. The exceptions are the proportion employed in primary industries and the presence of property taxes. In both cases, data refer to 2006.

4 Results

In the analyses that follow, we have divided the political parties into three major groups according to their declared policies and property tax attitudes. The parties, or rather voting tickets, of a purely local nature are excluded from this classification. Therefore, they are not considered in subsequent analyses. The first group includes the Socialist Left Party and the Labour Party. Ideologically, these two parties may be characterised as social democratic parties that favour a high level of public service provision at the local level. The official stand of both these two parties is to make active use of the property tax as a supplementary revenue source for municipalities. The second group includes the Centre, Liberal and Christian Democratic parties. Regarding property taxation, the position of these parties is rather pragmatic. They tend to accept the use of this revenue source when municipalities face a financial squeeze. However, they take a neutral stand when it comes to the question of making the universal use of such taxes as a local revenue source. There is one factor that may make the property tax more attractive for these parties. It relates to some legislation changes according to which holiday home owners are made liable for property taxes. This gives the property tax a redistributive effect, which is to the benefit of permanent inhabitants of municipalities. The three parties which are included in this second group have their electoral strongholds in sparsely populated municipalities with a high proportion of holiday homes. Finally, the third party group consists of the Conservative and Progressive parties. Both parties are strongly opposed to the property tax, even though they occasionally accept it.

To estimate the relationships between our dependent and independent variables, we use a linear regression analysis. In Table 1, the analysis results show the percentage share of the votes for each party group in the 2007 election.

Table 1: Variation in voter support measured as a percentage of total votes for various party groups in 2007. Standardized regression coefficients.

Independent variables	Socialist Left and Labour Parties	Centre/Liberal and Christian democrats	Conservative and Progressive Parties
Population size (log)	-.08	.05	.27*
% Primary industries	-.10	.29*	-.26*
% 60 yrs and above	.29*	-.14*	-.21*
Living conditions	.25*	-.28*	-.05
% Single-family houses	-.25*	.30*	.04
Gross expenditure per capita	-.10	-.09	-.09
Per capita state grants	.03	.02	.05
Property tax	.17*	.16	-.25*
Adjusted R-squared	.19	.26	.47

The number of units in the analysis is 420. Coefficients marked with * are significant at a 5-percent level with a two-tailed test.

As can be seen from the bottom line of the table, the explanatory power of the models varies between around 20 and just below 50 percent. The strongest explanatory power is found for the conservative and progressive party group, while the model does not account for more than around one-fifth of the variation in the percentage of votes for the social democratic parties.

The most interesting observation in relation to the problem studied here is that the use or presence of property taxation is significantly related to the variations in voter support for all the three party groups. In fact, besides the percentage effects of the population aged 60 and over, property taxation is the only variable in our model that exerts a significant effect on voter support for all the three party groups. However, the property tax effects on socialist and conservative strength are in the opposite direction to that of the hypothesized one. The support for the social democratic parties is strong in the municipalities that have introduced property taxes, while their effects on support for the right-wing parties are negative. These results may first and foremost be accounted for by the fact that the relative strength of the political parties at the local level is fairly stable from one election to the other, and that these results may reflect the presence of a reverse causal relationship between the party strength and the use of property taxes. In the municipalities with strong voter support for the socialist or social democratic parties, property taxes are most likely to be introduced, while the use of such taxes is less likely in the municipalities with strong right-wing parties. This is in accordance with the

observations made by Blom-Hansen, Monkerud and Sørensen (2006). We will return to this issue in the analysis of the changes in the voter support between the 2003 and 2007 elections.

If we look at other variables that have a bearing on the liability and ability to pay property taxes, we note a significant negative effect of single-family house owners on voting for the social democratic parties, while the reverse effect is found for the three bourgeois [middle class] parties. Both observations support our hypothesis. However, what is somewhat surprising is the complete absence of any effect of this variable on voting for the parties on the right. The absence of such an effect conceals the fact that single-family house ownership has opposite effects on support for the two parties included in this category. Separate analyses of the support for each of the two parties reveal that house ownership has a significant positive effect on the proportion of the votes won by the Progressive Party, while it has the opposite effect for the Conservative Party. These opposite effects are probably due to the fact that while the Conservatives have their electoral strongholds in urban areas with a lower proportion of single-family houses, the Progressive Party is able to increase its voter support in sparsely populated suburban municipalities dominated by single-family houses.

The effects of the proportion of old people (aged 60 and above) are also contrary to our hypotheses. While there is a significant positive relationship between this variable and voter support for the social democratic parties, the effect of the variable is significant and negative for the support of the two other party groups. It is also interesting to note the strong positive effect of living conditions on socialist voting, while the same variable is negatively and significantly related to voter support for the three middle parties, and with no effect on the support for the right-wing party group. These effects may testify to the importance a substantial proportion of the voters attaches to an active public sector in securing good collective and private living conditions, a policy most likely to be conducted by the parties on the left. These voters are also more likely to accept additional tax burdens to secure a good level of service provision. On the other hand, there is no indication that the total volume of municipal activities or the access to state grants to fund these activities has any impact on the voting pattern.

Let us now turn to the changes in voter support for the three party groups between the 2003 and 2007 elections. Here we use the percentage change in voter support for each of the three party groups between the two elections. As far as the independent variables are concerned, we employ the same model as in the previous analysis – but with one important exception. In order to judge whether a change is substantial or rather marginal, we need to take into account what the base of support was for the party groups in the 2003 election. Thus, for each party group in 2003, we add the percentage vote as an independent variable in our model. The analysis results are presented in Table 2.

Table 2: Variations in changes (measured in percentage points) in voter support between the 2003 and 2007 elections. Standardized regression coefficients.

Independent variables	Socialist Left and Labour Parties	Centre/Liberal and Christian democrats	Conservative and Progressive Parties
% Percentage of votes in 2003	-.38*	-.35*	-.23*
Population size (log)	.01	.09	.13
% Primary industries	.00	.04	.00
% 60 yrs and above	.20*	-.02	-.16*
Living conditions	.03	-.14*	.06
% Single-family houses	-.11.	-.12	.04
Gross expenditure per capita	-.02	.08	-.07
Per capita state grants	.04	-.04	.09
Property tax	.03	.10*	-.11*
Adjusted R-squared	.11	.09	.04

The number of units in the analysis is 420. Coefficients marked with * are significant at a 5 percent level with a two-tailed test.

The table reveals some interesting relationships between the changes in voter support and our independent variables. Generally, the explanatory power of the models is much lower in the analysis of the change in voter support than in the above analysis of the distribution of such support. We also note that the explanatory power may be ranked in the reverse order of that observed in Table 1. Here is a model that explains the changes in voter support for the social democratic parties, which has the strongest explanatory power, while the explanatory power of the changes in support for the right-wing parties is as low as 4 percent.

As regards the property tax effects, the results run counter to our major hypotheses. The parties are opposed to property taxes. They may result in a loss of votes in the municipalities that have introduced this kind of tax, while there is no significant effect of this variable on the changes in votes for the social democratic parties. Thus, voter repercussions in terms of reduced support for these parties seem to be completely absent. Given the centrality that the taxation issue had in the campaign prior to the 2007 election, this result was quite surprising, indicating that the voters took a rather pragmatic stand on the use of such taxes. It is also noteworthy to observe the positive and significant effects of property taxes on the support for the middle group of parties. If we run a separate analysis of the change in support for each of these three parties, we can find out that it is the Centre Party that gains votes from the presence of property taxes. For the other two parties in this group, the effects are negative but insignificant.

With respect to the other two variables that have a more or less direct bearing on the liability and ability to pay property taxes (the proportion of people aged 60 and over, and the percentage of single-family houses), the estimated effects do not provide any unambiguous support to our major hypotheses. The change in support for social democratic parties is positively related to the proportion of elderly people, while the corresponding effect on the right-wing parties is negative. As regards the effects of the proportion of single-family houses, none of them are significant, although the relationship signs are in the hypothesized direction.

Perhaps the most interesting effects are those observed in the “base variables” – the electoral strength of the various party groups in the 2003 local elections. All three effects are strongly negative and significant. Irrespective of their ideological leaning and strong support in 2003, party groups suffered a reduction in their proportion of the votes in the 2007 elections, while the parties with a weak electoral base gained in support. These results may be indicative of a convergence in the relative strength of various party groups at the local level, a convergence which does not seem to be affected by any other variables employed in the current study. If this is the case, the policies conducted by the local authorities (including the most controversial issues such as property taxes) do not seem to make a big difference to the voting pattern.

5 Conclusion

Most studies of economic voting have focused on the national-level economic performance effects on support for the incumbent government – operationalised either in terms of popularity or a vote function (Paldam, 1981). The present study somewhat deviates from this general approach: firstly, by focusing on the municipal level of government, and secondly, by placing emphasis on the effects of local authority policies (in this case, the use of local property taxes) that they may have on the voting pattern in local elections. The use of property taxes became a dominant issue in the campaign prior to the 2007 local elections. Regarding this issue, the campaign demonstrated a clear split between the parties on the left and right.

Our empirical analyses reveal some findings that may seem contradictory. First, the results of the analysis of vote distribution testify to the politically divisive nature of property taxes in the Norwegian municipalities. Here we find that there is a significant positive relationship between the percentage of votes for pro-tax parties on the left, a significant negative effect for the percentage of votes for anti-tax parties on the right, and the presence of property taxes in a municipality. This contrasts with our hypothesis that property taxes would lead to diminished support for the pro-tax parties. However, as we have suggested before, this observation may rather reflect the reverse causal relationship between voting and property taxation. Such an interpretation has also been supported by the study written by Blom-Hansen, Monkerud, and Sørensen (2006). In any case, this is a rather clear demonstration of the strong ideological conflict that characterises the debate on this

issue. On the other hand, our second analysis of the change in the proportion of votes for various party groups does not support our hypothesis on negative repercussions for the left-wing parties as a result of using property taxes. There is no effect at all on the changes in support for the left-wing parties from this variable. In fact, and contrary to our expectation, the Conservative and Progressive parties suffer a loss of voter support in the municipalities where property taxes are levied, while the three bourgeois medium parties seem to benefit from the use of property taxes.

Altogether, this analysis supports the observations made by B. Aardal (2007). In his analysis of political conflicts in Norway, he points out that a clear majority of the voters prefer a high level of public service provision rather than tax cuts. Local property tax is not an important revenue source for local authorities, but it may provide local decision makers with the extra financial resources needed to secure the provision of services justified on the basis of local demands, and not on the basis of national legislation. In such circumstances (as indicated by our analyses), the political parties that are in favour of property taxes are more likely to gain voter support than to be punished by the voters. Despite a long-term process of national standardisation of local government tasks and priorities, our analysis demonstrates that there is still room for ideological conflicts over policies at the local governmental level. This testifies to the vitality of local democracy.

Note

Data for these analyses have been provided by the Norwegian Social Science Data Services. Petter Christiansen assisted us in organising the data, and he contributed to the model analysis. The interpretations are, however, the sole responsibility of the authors.

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