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'Austerity and crime: Evidence from the New Poor Law'

We study the effect of austerity-induced reductions in welfare spending on criminal activity in the context of a sudden and deep historical policy reform: the 1834 New Poor Law Amendment Act in England and Wales. The Act was intended to reduce welfare payments to the poor by deterring any but the most destitute from applying for relief. A key feature of these shocks to counties' poor relief spending is that they had heterogeneous spatial effect. We exploit this variation to identify a causal relationship between relief generosity and crime rates by comparing counties with different levels of pre-reform welfare payments, and thus with differential reductions in welfare generosity in the wake of the reform.

This paper relies on a large collection of novel historical data from primary sources. We gather yearly data on poor relief collection and expenditures between 1820 and 1842 for all English and Welsh counties. We link them to county-level rates of different crimes during the same period. Additionally, we digitise individual-level crime data to explore the heterogeneity of our results by exploiting information on perpetrators and punishments. These data are complemented with original data on police forces and workhouses to explore mechanisms and possible confounders.

We present three main findings. First, we find that decreases in per capita poor relief spending are associated with increases in criminal activity. This result holds in an OLS framework and when using the asymmetric reductions in poor relief spending as a result of the New Poor Law to instrument for welfare expenditures. We estimate that a one standard deviation decrease in poor relief spending causes a 0.20-0.34 standard deviation increase in criminal activity, an economically sizeable effect.

Our second result exploits the granularity of our data to investigate a possible channel for our main findings: that the margin at which individuals self-select into criminality is lower following the 1834 New Poor Law reform. Under the less generous system of relief introduced with the reform, a greater number of individuals are willing to take the risks associated with committing a crime. Regressions of different types of crime on poor relief spending reveal that, indeed, mainly non-violent property crimes are affected by the welfare reductions.

Third, we provide evidence that our results are not explained by alternative potential mechanisms. As the middle of the nineteenth century saw the gradual professionalisation of police forces throughout the country, we explore the possibility that latent county characteristics can be related to both the introduction of police and of the New Poor Laws in a manner that would confound the effects on crime that we document. We control for the size of county police forces and the timing of their introduction flexibly by interacting them with year fixed effects. Adding these controls does not statistically change coefficients compared to the baseline estimates.