

Policy for Panhandling: How to Encourage Good Panhandling and Discourage Bad

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Abstract

What does wise public policy toward panhandling look like? When a willing, reasonably well informed donor gives money to a panhandler, both are better off, and inequality goes down. Policy should encourage transactions like this. When a pedestrian is upset by a panhandler’s presence, does not give, and maybe even alters course, no one is better off and at least one person is worse off. Policy should discourage this kind of interaction. We examine an array of programs to deal with panhandling to see how well they encourage welfare-improving interactions and discourage welfare-reducing ones. Tentatively, credentialing programs are the most promising.

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Some people hate panhandlers. In *The Mahabharata* (book 13, section LX) Bhishma says: “Those persons who solicit others are said to annoy the world like thieves and robbers.” Some people love them. Peter Maurin (n.d.) wrote: “People who are in need and not afraid to beg give people not in need the occasion to do good for goodness’ sake.” Many jurisdictions try to regulate panhandlers (some to extirpate them), and, not surprisingly, these regulations are often controversial. The purpose of this paper is to add some facts and some analysis to this debate.

The analysis rests on two basic ideas. The first is that a reasonably well informed voluntary transaction between a willing donor and a panhandler makes both parties better off and reduces inequality. Transactions that do that are usually socially desirable. On the other hand, a panhandler’s presence on a sidewalk can cause congestion, and some pedestrians may perceive it as costly to them per se. A considerable body of empirical literature (discussed in section 1 below) finds that many people are willing to incur costs to avoid being solicited by reputable charities. No literature extends this result to solicitation by panhandlers, but the extension is plausible. Hence unsuccessful panhandling is socially undesirable. In short, successful panhandling is good and unsuccessful panhandling is bad.

The goal of policy therefore should be to encourage the good kind of panhandling and discourage the bad. Neither blanket prohibitions nor blanket allowances are optimal. Panhandling is more like driving a car than shooting a neighbor—an activity that can produce many benefits if properly regulated, not an activity that is almost always detrimental. Most of this paper is about finding the regulations and policies that best achieve this nuanced goal.

The policies that have traditionally been discussed for regulating panhandling do little or nothing to advance this goal. The policies we find most promising are non-traditional, especially credentialing. Credentialing gives donors a better chance of spotting panhandlers whom they would consider

deserving and panhandlers a better chance of distinguishing themselves from charlatans. Policies that allow would-be donors to separate themselves physically from pedestrians who want to avoid panhandlers may also help—for instance, designating certain sidewalks as places where people are encouraged to donate and other sidewalks as places where people should not donate. But we are not sure that enough would-be donors are eager enough to go out of their way far enough to make schemes like this viable. Experiments would help.

We build on the description of panhandling in Downtown Manhattan that we gave in the companion paper (Dordick et al., 2017). Because our data is for Downtown Manhattan, our policy discussion is, too. Downtown Manhattan is bustling, rich, and crowded. The final section of the paper, however, asks about how our conclusions generalize.

The ideal policy experiment would be take a large number of roughly similar communities, randomly assign them different panhandling policies, and study how they evolve. We are very far from this ideal experiment. In the companion paper, we have examined no explicit policy variation whatsoever. Instead in this paper, we extrapolate. Our conclusions, therefore, are tentative. But we are aware of no other policy discussion that either extrapolates from data or from an explicit model.

We begin with a discussion of the costs and benefits of panhandling, following the emerging literature on charitable fund-raising. We show that under some plausible circumstances panhandling downtown is welfare-increasing and under other plausible circumstances it is welfare-decreasing. Then we turn to the analysis of specific policy proposals. The first policy we discuss is credentialing, in section 2, along with a closely related licensing policy. Section 3 is about policies that regulate the behavior of panhandlers and restrict the locations of panhandling. We find merit in some traditional policies like the prohibition of aggressive panhandling, and explore whether donors could be physically separated from pedestrians who do not want to encounter panhandlers. Section 4 is about policies that try to alter the

behavior of donors. Section 5 is about policies that seek to provide alternative opportunities to panhandlers, and Section 6 asks how our conclusions generalize to other environments.

We are discussing panhandling, not homelessness. The two terms are often used interchangeably in public discourse, but we do not use them interchangeably.¹ Panhandling is a labor market activity and homelessness is a housing market activity. In New York City, the vast majority of homeless people do not panhandle, and a considerable fraction of people who panhandle are not homeless.

1. Is Panhandling Always Socially Harmful?

Our answer is no. If the answer were yes, the policy approach we take in this paper—finding occasions when panhandling is socially beneficial—would be silly. The only sensible policy would be an outright ban. So we begin our analysis by showing that panhandling could be socially beneficial.

Panhandling can be socially harmful because some people dislike being asked for money by charities, and are willing to incur costs to avoid solicitations. Three recent papers (Della Vigna et al 2012, Andreoni et al 2016, and Trachtman et al 2015) have tried to understand and quantify this distaste. We can use this evidence to make some rough inferences about the cost of panhandling to

¹ Stern (1984 especially pages 296-98) argues that one reason why homelessness became a public issue in the early 1980's was because it was framed in such a way as to re-establish the traditional charitable gift relationship, which implies sacrifice on the part of the donor and gratitude and humiliation on the part of the receiver. See Mark J. Stern, 1984, "The Emergence of the Homeless as a Public Problem," Social Service Review, Vol.58 (2) June 1984, pp.291-301. (Especially pages 296-98). His discussion follows (Maus, 1967), The Gift: Forms and Functions of Exchange in Archaic Societies, New York: W.W. Norton & Co.

passersby, and from these inferences attempt to find out whether the costs of panhandling exceed its benefits.²

Andreoni et al (2016) and Trachtman et al. (2015) both study outdoor solicitations at a supermarket, while Della Vigna et al (2015) look at door-to-door solicitation. Panhandling seems closer to supermarket solicitation than to door-to-door. Andreoni et al has a more detailed calculation of costs to passersby, and so we will concentrate on that paper. In the experiment described there, Salvation Army bell-ringers solicited shoppers during the Christmas season, and the experimenters recorded how shoppers reacted to activity at either one or two of the three entrances to the supermarket.

They found that shoppers reacted quite differently when solicitors spoke to them directly and made eye contact than when solicitors merely rang their bells. When active solicitors (those addressing shoppers and making eye contact) were operating at both convenient doors, about 17 percent of shoppers were willing to walk 70 feet to the third door (these shoppers are called “avoiders”). On the other hand, when a solicitor was merely ringing a bell and not speaking or making eye contact (“passive solicitation”), flows between the two convenient doors were barely perturbed.

Panhandling in downtown Manhattan seems to us to be more like passive solicitation at the supermarket than active. Supermarket solicitors saw around 333 people when they were soliciting actively: 305 total flow, less 50 avoiders, divided evenly between two doors, in an average 23 minute session. Downtown panhandlers usually see more than 1,500 people an hour and often more than

² Andreoni et al argue that people have an automatic empathetic reaction, and that sophisticated people incur costs to avoid either doing something they would regret, or having to exercise restraint. Their analogy is putting a chocolate cake out of sight so one is not tempted to eat it. The more considered reaction (not to fall victim to one’s impulses) counts for more in the welfare calculation. That is not the only possible interpretation. Perhaps giving is something that people know is good for them, but fail to do so because they are weak-willed, like going to the dentist or having a colonoscopy. People may avoid reminders that they should have a colonoscopy the same way that they avoid solicitations. In that sense, giving is not like eating chocolate cake. One should remember that several major religions and schools of philosophy make giving a central part of what they teach, and none treat eating chocolate cake that way. If people avoid the ask because of weakness of will, in the same way that they avoid colonoscopy reminders, then welfare calculations probably should not consider it a cost.

2,000. Addressing and making eye contact with people at such a fast rate would be hard to accomplish. Our own observations are that very few downtown panhandlers speak or make eye contact. Most just extend a cup and perhaps display a sign. Few are as conspicuous as Salvation Army bell-ringers.

Andreoni et al. estimated that the average cost of saying no to an active solicitor was 4 cents for the 83 percent of the population who did not avoid the solicitors, and over 8 cents for the 17% who avoided them. They did not estimate an average cost of saying no to a passive solicitor because they did not observe people moving between the two convenient doors when a passive solicitor was working at one. Presumably this cost is positive, but well less than 4 cents.

The average cost of saying no to a downtown panhandler probably does not exceed the average cost of saying no to a supermarket solicitor. For one thing, downtown pedestrians are more likely to miss seeing a panhandler; downtown pedestrians are traveling in fast-moving packs, intent on a variety of destinations, and downtown panhandlers do not ring bells and dress in red uniforms. Saying no to someone you do not see is costless. Andreoni et al give two reasons why saying no to a person whom you see might be costly: social pressure (you appear to be ungenerous to a person whose opinions matter to you), and guilt (your empathic impulses are thwarted). Since panhandlers are considerably less reputable than the Salvation Army, passing a panhandler by may be less costly than passing a Salvation Army solicitor by.

On the other hand, some (but not all) panhandlers may not be so well-dressed or groomed as the Salvation Army solicitors (in the Andreoni et al experiment, these were 22-year-old female college students). Some passersby may find the presence of panhandlers more unpleasant than the presence of Salvation Army solicitors. Panhandlers may also contribute to congestion on sidewalks, which was not an issue at the supermarket. Many panhandlers, however, find places to stand or sit that do not impede

pedestrian flow—in between columns of Broadway buildings, for instance, and next to newsstands.³

The average cost of panhandler presence to a non-giving pedestrian is almost certainly positive, but well less than 4 cents. A figure like half a cent or a cent might be plausible.

Andreoni et al calculated the welfare impact of fund-raising (as did Della Vigna et al 2012, who concluded that it was negative), and we can follow their example, although we know fewer parameters. We assume no avoidance behavior by pedestrians, since in many cases where panhandlers will be is hard to predict.⁴ Let r denote the proportion of pedestrians who give to panhandlers; this is probably in the neighborhood of 0.5-2 percent, but could be lower for some panhandlers. Let d denote the average donation; for Andreoni et al this was \$1.20 but may be lower for panhandlers (although downtown pedestrians may be richer than their supermarket shoppers). Finally, let c denote the average cost of saying not for those who say no; as we have argued above this is probably in the range of half a cent or a cent. For now we will follow Andreoni et al and ignore the cost of a panhandling time. Then the average cost per pedestrian is

$$rd + (1 - r)c.$$

For benefits, let y denote the average benefit (“warm glow”) per dollar that donors get from donating, and μ denote the social benefit of a dollar to a panhandler. (We are deviating slightly from Andreoni et al by making donor benefit proportional to the donation.) Then the average benefits per pedestrian are

$$rd(y + \mu).$$

³ In at least one location, however, a fast-food restaurant on Broadway, panhandling activity may have impeded pedestrian flow. The managers of this restaurant often asked panhandlers to leave.

⁴ Lee and Farrell (2003) report that In a nationwide telephone survey in 1990, about 7 percent of respondents reported going out of their way to avoid panhandlers. But avoidance behavior is harder in Downtown Manhattan than on normal streets and Downtown in general is not an area of intense panhandling activity.

Hence benefits exceed costs if and only if

$$rd(y + \mu) > rd + (1 - r)c.$$

This simplifies to

$$g = y + \mu - 1 > \frac{1 - r}{r} \frac{c}{d}.$$

Here we can interpret g as a measure of average generosity.

Specifically, consider a donor j who actually gives. Then her net benefit from giving $dy_j - d$ exceeds her net benefit from saying no, $-c$. So $y_j \geq 1 - \frac{c}{d}$. Since c is on the order of magnitude of a cent and d is on the order of magnitude of a half dollar or a dollar, y_j is almost one for every donor, including the marginal donor, and so the average value of y_j is almost certainly considerably greater than one. Moreover, since a donation to a panhandler is a pure transfer with no intermediaries, and most panhandlers are quite poor, μ is also close to one, and may be considerably greater. Thus g is the social value of the transfer of a dollar from the average donor to the panhandler. If this is just a pure transfer, $g=1$. But if there is additional value—either because donors or a social planner gains from the transfer—then g is greater than one.

Since r is small, $1 - r \cong 1$ and the condition for welfare improvement simplifies approximately to

$$gd > c.$$

This is simple to interpret: if $g=1$, the expected donation per pedestrian should exceed the cost of saying no for the average pedestrian. More generally, the expected social value of donations per pedestrian should exceed the average cost of saying no. So, for instance, if $g=1$, and the average donation is a

dollar and the average cost of saying no is one cent, panhandling is welfare-improving if one percent of pedestrians give. Alternatively, under these same conditions and on a sidewalk where 1500 people pass an hour, panhandling is welfare-improving if the panhandler realizes \$15 an hour, or more.

Andreoni et al do not consider the opportunity cost of solicitors' time, but we should do so. Let w denote this cost, per hour, and let v denote the hourly flow of pedestrians past the panhandler. Then the social cost of panhandling per pedestrian must be increased by w/v , which in Downtown is probably on the order of magnitude of a tenth or twentieth of a cent or less. Then the (approximate) condition for panhandling to be welfare-improving becomes:

$$gd > c + \frac{w}{v}.$$

This is little different from the Andreoni-style condition, since w/v is probably small relative to c .

But because panhandling is a voluntary activity, we have an additional condition to consider. Let w_j denote the opportunity cost of time (per hour) for potential panhandler j . She will panhandle if

$$rd > \frac{w_j}{v}.$$

Thus if panhandling is a pure transfer ($g=1$) and the marginal panhandler is indifferent between panhandling and her next best activity, then the marginal panhandler's activity is welfare-reducing (panhandling creates an untaxed externality). But the activity of infra-marginal panhandlers need not be welfare-reducing even under these circumstances. The companion paper shows that elasticity of supply panhandling labor is low, and so many panhandlers are far from the margin.

Thus a blanket statement about whether panhandling downtown is welfare-improving seems impossible. The expected average donation per pedestrian is of the same order of magnitude as the

average cost of saying no. Some panhandling that occurs downtown is probably welfare-improving, and some is probably not. Panhandling is more likely to be welfare-improving if panhandlers are needier, if donors are richer and give larger amounts, if a greater proportion of donors give, if pedestrian flow is greater, if panhandlers are less obtrusive, and if sidewalks are wider so congestion is less. Policy should promote panhandling under those conditions, and discourage it when they are not present.⁵

2. Credentials for Panhandlers

The policy we think most promising for encouraging welfare-improving panhandling is to allow panhandlers to have credentials.

Many occupations—personal trainers, for instance—are certified by private groups set up for that purpose; they devise their own standards and procedures and let consumers judge the value of their certification (bond rating agencies might be another example, but government involvement is greater).

How could this be done for panhandlers? Certified panhandlers could receive a visible sign that they were certified; a unique identifying number should be visible on this sign. An app could allow potential donors to access the certifying group's website and see a photograph of the person to whom the identifying number was issued; this would reduce counterfeiting. Several different certifying bodies might coexist; for instance, certain churches or mosques might certify panhandlers who abstained from alcohol or drugs, while other groups might certify panhandlers who were truly impoverished or disabled. The certification would be valid for only a fixed period, say a given number of months.

⁵ There are other reasons why even some welfare-reducing panhandling should not be prohibited. It is probably hard to recognize and prohibiting it raises First Amendment issues. Della Vigna et al (2012) show pretty convincingly that standard door-to-door solicitation by organized charities is welfare-reducing, but no serious consideration is being given to prohibiting it.

What would the effect of credible certifying agency be? It would almost certainly increase the volume of donations, and the expected utility of inframarginal donors. The revenue of certified donors would probably rise; how the revenue increase would be divided between more panhandler-hours and greater revenue per hour depends on the supply elasticity. Similarly, the revenue of non-certifiable panhandlers would probably fall, with the consequences again depending on the supply elasticity. If the supply elasticity is small, as we found in the companion paper, then the change in panhandling activity would probably not be large, but revenue per panhandling hour would probably increase. If certifying involved some cost for panhandlers in time or exertion, then some less proficient panhandlers might not certify and leave the industry; this would further increase revenue per panhandling hour.

Mechanically, the rise in revenue per panhandling hour raises the net benefits of panhandling. Donors may also feel better about their donations, and so y , the “warm glow” of giving, may also increase. The social value of a dollar to the average panhandler, μ , would also probably increase. Both parameter changes would increase the net benefits from panhandling.

Would certification be valuable to panhandlers and ultimately to donors that a substantial proportion of panhandlers would go through the trouble of getting credentials? The experience of the United Homeless Organization (UHO) at the turn of the 21st century strongly suggests that credentials are valuable.

UHO was a not-for-profit corporation founded by Stephen Riley and Myra Walker in 1993, and shut down by the New York State Attorney General in 2009 (*Cuomo vs United Homeless Organization*, 2009). UHO operated in the following manner: For \$15 per shift, it rented a card table, a hat, a plastic jug and various signs identifying the individual as a representative of UHO, and allowed the solicitor to keep all the proceeds above \$15. About 750 shifts a week occurred. Riley and Walker essentially pocketed the

\$15 after minimal overhead expenses. The attorney general filed a complaint against UHO, Riley, and Walker in 2009 claiming that UHO was not a legitimate charity, and the complaint was not contested.

Since any of the solicitors could have panhandled on his own (the attorney general alleged no attempts to enforce a monopoly on panhandling locations), and a card table can be acquired for less than \$15 a shift, the important question is why the solicitors were willing to pay \$15 a shift to UHO. The obvious answer is that the UHO allowed them to collect at least \$15 a shift more. Why? The obvious answer is credibility. Even though UHO operated no programs to help the homeless, it sounded to some potential donors like a legitimate charity, and those potential donors were more willing to give to a charity that claimed to help people like the solicitors themselves. Exactly why some potential donors would think that way is not clear. Long before the attorney general shut UHO down, many New Yorkers thought it was suspicious, if not fraudulent. But New York City streets are traversed by a large number of naïve people.

(An alternative interpretation is that the UHO label reduced hassle by police. Panhandling is legal almost everywhere on New York City sidewalks. This interpretation is not contradictory to the idea that the UHO label signaled credibility, but makes individual police officers rather than potential donors the target of that signal⁶.)

UHO demonstrates that even questionable organizations are more credible with some donors (and possibly some police officers) than the average panhandler, and that the value of this credibility is at least \$15 per shift. If a shift is 5-7 hours, then UHO-type credibility is worth at least \$2-\$3 an hour. Even this weak credibility is worth a large proportion of normal revenue.

⁶ We thank Patrick Markee for this interpretation

If a certifying group is such a good idea, why haven't panhandlers or churches established one already, as personal trainers have? The free-rider problems for panhandlers are large, because most work independently, they have few common meeting places, and, unlike personal trainers, they do not advertise on the web. In another sense, a certifying agency has already been tried in New York City; it was the UHO. The UHO acted as a certifying agency without in fact certifying anything. Perhaps what has been missing has been a group to certify the certifiers, and to do so with great visibility.

Street News in some sense also tried to act as a certifying agency. *Street News* vendors showed that they were at least responsible enough to pick up newspapers, that the managers of *Street News* thought they were sober enough to be trusted with the papers for a little while, and that they were self-controlled enough to save up money every day to buy the next day's papers. The implicit trust that the celebrities placed in the vendors might have been interpreted by potential donors as information about the trustworthiness of vendors.

The eventual disappearance of both UHO and *Street News* shows the pitfalls that any credentialing project would face. A panhandler bearing insignia of an organization faces two hurdles in inducing a potential donor to give: the potential donor must think well of both the organization and the panhandler. Even if the marginal donation goes fully to the panhandler in the short run (as was the case for both these organizations), donors may not be convinced (since they do not study the employment contracts) that the organization is not sharing in it in some way.

Obviously, we do not know yet whether the costs of running a credentialing program are greater than the benefits, but the experience of UHO suggests that they may be. But UHO made no attempt to verify anything—they just gave out credentials.

One of the drawbacks of an effective credentialing program is that it would make "emergency panhandling" harder; a person who suddenly needed a few dollars to pay the rent or buy a bus ticket

home would not be able to turn to panhandling; or would find it harder. We have not talked to any panhandlers who fit this category, because ethnography is biased toward long-term panhandlers (the relationships on which ethnography relies cannot be developed quickly). Often these panhandlers are the least proficient.

The proportion of potential donors who check their apps may also turn out to be either too high or too low for credentialing to improve the workings of this market. If the proportion is too low, counterfeiting may destroy the credibility of the program. If it is too high, the costs to donors may be too high for the program to be considered an improvement over the current system. But there is some reason to believe that excessively high or excessively low rates of app-checking might spawn equilibrating reactions on the part of potential donors.

The final issue with credentialing is that a credentialing agency provides a public record of who receives credentials. Some panhandlers receive Supplemental Security Income (SSI). SSI restricts the income that recipients can receive, and receipt of credentials could lead to investigations of whether SSI recipients are working. The marginal tax rate on earnings for SSI is 50 percent (if panhandling revenue were determined to be gifts, not earnings, the marginal tax rate would be 100 percent). Panhandlers may also receive Supplemental Nutrition Assistance Program (SNAP) benefits, with a marginal tax rate of 14 percent, and some may be subject to child support orders. Credentialing agencies may not attract many panhandlers, and panhandlers who do not receive credentials may still come across as sympathetic to a segment of the public. But for donors who do not wish to give to panhandlers receiving government support, this aspect of credentialing will not be a drawback.

3. Policies that Restrict How and Where Panhandlers Work

These are probably the most popular type of policies. Most cities prohibit panhandling in certain places—near ATMs, for instance, and on subways in New York—and in certain manners—aggressive, threatening panhandling most commonly. Ellickson (1996) makes the case for “sidewalk zoning” where panhandling would be one of several public activities allowed in some places but not in others. Many other occupations are regulated this way—for instance, auto repair and banking—and so place and manner restrictions do not make panhandling unusual.

It is easiest to think about manner restrictions first. The argument against aggressive panhandling is essentially an argument against robbery (which is sometimes hard to distinguish from aggressive panhandling). Pareto improvements come from donations made willingly, not donations made under duress.

Does this argument carry over to untrue assertions that panhandlers might make? Is this a species of fraud that should be treated as such, both because it makes work harder for honest panhandlers and because it causes donors to part with their money under false pretenses? In that sense, untruthful panhandling eliminates opportunities for Pareto improvements because it discourages donors from giving and discourages needy people from panhandling. Untruthful panhandling is a problem, just like aggressive panhandling, and policy should try to reduce the amount of it that goes on.

But legal enforcement may not be the lowest cost way to reduce untruthful panhandling. Ex post verification of panhandler claims is likely to be expensive, and damage due to any instance of untruthful panhandling is likely to be small. When untruthful panhandling is widespread, moreover, it is not clear what activities constitute untruthful panhandling. If all other panhandlers are untruthful, and all donors know it, no honest panhandler can be credible, and no assertions that he makes can mislead any donor, since no donor will believe him. Credentialing, as we discussed above, may be a more effective and cheaper way of reducing untruthful panhandling.

The final manner issue is incompetent or worthless panhandling. Panhandling that does not generate revenue does not help panhandlers, does not help donors, and congests sidewalks. It is a social bad. One remedy for incompetent panhandling would be to charge an hourly fee for panhandling. This would be essentially a Pigouvian tax so a panhandler would internalize the external costs his or her activity causes. Collecting the fee would be hard, however. The obvious way would be to collect it before a panhandling session began, the same way that parking meter collects from a motorist before a “parking session” begins. On paying the fee a panhandler could receive a ticket saying that he was authorized to panhandle from 2 pm to 4 pm on August 14, 2017, for instance, and any police officer could ask to see the ticket. The obvious problem is that some panhandlers, especially the neediest, might be cash-constrained before a panhandling session starts. An alternative would be for the city government to issue the ticket before a session began, but not require that it be paid until the session was over. Aside from the extra travel that this plan would require of the panhandler, the major question about a scheme like this is what would happen if the panhandler did not return with the fee, either because he was unlucky that day, or because they did not intend to pay. For panhandlers who intended to maintain a long-term position, this would not be a problem—they would find a way to pay eventually, unless they truly lacked proficiency or the fee were too high. But for short-term panhandlers, there would be no such incentive, and they could skip paying the fee. So a fee that was paid after a session would penalize long-term panhandlers—who are likely more proficient—and encourage short-term panhandlers—who are likely less proficient.

Prohibitions on flagrantly incompetent panhandling (at least in congested times and places) might be a good substitute for fees. The most flagrant form of incompetence is sleeping on the job; another is mindless yelling. There is good reason to prohibit this sort of panhandling just as there is good reason to prohibit aggressive panhandling.

The same sort of reasoning can be applied to location regulation. One kind of incompetence might be panhandling too close to another panhandler. Donors might have limited amounts of generosity or spare change, and so the second panhandler they encounter in close sequence might get less money. In Downtown Manhattan we found that a nearby panhandler made a location less likely to be occupied by another panhandler, and that this effect was larger when the nearby locations were more attractive. Donors might also interpret a plethora of panhandlers as an indication that many panhandlers are not needy. Thus jurisdictions might want to mandate minimum distances between panhandlers (although New York panhandlers probably regulate themselves).

Minimum distance rules have drawbacks, though. If two panhandlers are too close together, who moves? Establishing who was there first is almost impossible. Letting them negotiate and come to agreement is a way for less competent or less needy panhandlers (or non-panhandlers) to extort money from more competent or needier panhandlers, especially those who have established a regular customer base. So is requiring both of them to leave. Minimum distance rules might be a drastic cure for a minor disease.

But there might be other ways to use location to match panhandlers and donors better. Suppose people who did not mind panhandlers much and sometimes gave used one side of a street, and people who did not like panhandlers and never gave used the other. (The assignment of sides need not be permanent; it could even vary by day like alternate side of the street parking.) This could be accomplished either by law (prohibiting panhandling on one side of the street) or suggestion (signs suggesting this practice). If donors sorted themselves this way and panhandlers knew it, panhandlers would follow donors and voluntarily segregate themselves on the generous side of the street. The cost to anti-panhandler non-donors of encountering panhandlers would be eliminated, and more Pareto-improving transactions between willing donors and willing panhandlers might occur. (This does not

presume that all or most pedestrians on the donor side of the street in fact donate—only that virtually none on the non-donor side do so.)

Several conditions must be met for a scheme like this to work. First, donors on the non-donor side of the street must refrain from giving to panhandlers there (or panhandlers must believe that they will refrain); they must feel that such panhandlers are violating a social norm as well as possibly an ordinance. Second, the donor side of the street must not be so congested or unattractive as to discourage potential donors from walking there; similarly the stingy side must not discourage non-donors from walking there either. Thus the scheme will probably work best when neither type of pedestrian is overwhelmingly dominant, or when the preponderance of pedestrians are indifferent or oblivious. Finally, the generous side should have enough good places in which to panhandle and enough pedestrian traffic that panhandlers are not tempted to go to the other side.

Obviously many neighborhoods do not satisfy these criteria. Downtown Manhattan may. “Sides of the street,” of course, need not be taken literally. Downtown Manhattan has a dense pattern of streets and many pedestrian journeys can be accomplished multiple ways that do not differ greatly in speed or convenience. Our research has established that almost always many excellent panhandling locations are vacant. So it is not impossible that a judicious marking of panhandling-allowed and panhandling-prohibited zones could sort panhandlers and donors better. This is similar to Ellickson’s (1996) sidewalk zoning; and is also in the spirit of the recommendation that Della Vigna et al (2012) made that charities conducting door-to-door drives give prior notice and allow households to opt out.

The major difficulty may be that too few pedestrians care enough about panhandlers to go out of their way either to avoid or encounter them. The results in Andreoni et al (2016) suggest that this may be the case: crossing a street in Manhattan is generally more costly than a cent. If that were the case, pedestrian flows would not be altered, but panhandlers might end up with fewer donations. In a

sense, a scheme like this works best when enough pedestrians are willing to make a significant effort to avoid panhandlers—precisely the sort of situation in which normal panhandling is unlikely to be welfare-improving.

An alternative way to try to improve panhandling might be to establish licenses. The city government would license particular stretches of sidewalk to particular panhandlers for specified periods of time. The model would be newsstands. During this time, the licensed panhandler would have the exclusive (non-transferable) right to panhandle in that location. The city could require that licensed panhandlers attend classes in panhandling etiquette, or maintain standards of cleanliness and hygiene, or pay fees during the time that the license is held. It could also screen license applicants in much the same manner that a credentialing agency would (although probably not for as many religiously-tinged attributes). Licensed panhandlers would have an incentive to maintain good community relations, and to cultivate a group of regular donors. Because of these efforts, and because they would be assured of a regular location, they might be able to generate high revenue—a condition for panhandling to be welfare-improving.

Enforcement would obviously be an issue, since the city would be taking responsibility for an issue that panhandlers previously settled among themselves. The reactions of property-owners whose sidewalk the city would be licensing would also be an issue, since they would assert legal rights to prevent the city from licensing the space in front of their properties. These legal issues have already been extensively vetted with newsstands and peddlers. One difference between peddlers and panhandlers is that panhandlers do not compete with any tax-paying businesses.

Licensing would also open licensees to investigations of their income if they were collecting means-tested government benefits, especially SSI and SNAP, just as credentialing would. But since the city would be approving, rather than a non-governmental organization, and a license is closer to a job

than a credential is, working “off the books” would be almost surely impossible (unless the license were claimed by one person and transferred surreptitiously to another).

4. Altering Donor Behavior

Another class of policies seeks to persuade potential donors not to give money to panhandlers and perform their philanthropy in another manner. These policies generally try to induce donors to give to organized charities instead of to panhandlers, or to give to panhandlers in non-monetary roundabout ways as in Spector’s (1996) vouchers for panhandlers. We are aware of no evidence that either type of policy reduces the amount that donors give to panhandlers.

The idea of the organized charity persuasion schemes seems to be that if donors give more money to organized charities, they will restrict their giving to panhandlers, apparently either because of an income effect, or because they believe that giving a dollar to a charity will help the particular panhandler they encounter more than giving a dollar to that panhandler. Neither hypothesized mechanism seems remotely plausible.

On the income effect, panhandlers in Downtown Manhattan probably collect no more than between \$1000 and \$1500 in the aggregate on an average working day. Workers in Downtown Manhattan make about \$100 million on an average working day. This does not count tourists and residents who do not work downtown. Eliminating panhandling donations would have no noticeable effect on disposable income, or on its disposition.

On the substitution effect, there is little reason to believe that individual downtown panhandlers will be significantly helped by donations to random organized charities. Few of the panhandlers we have talked to receive assistance from organized charities, although some receive government assistance. The relevant question, of course, is whether a marginal dollar donated to an

organized charity would inure to the benefit of the panhandler whom a donor encounters on the street, and the answer is almost certainly no.

An alternative version of the organized charity argument is that donors are concerned not with the panhandler whom they encounter but with global social welfare generally, and that at the margin some donation to some organized charity makes a greater contribution to global social welfare than donation to the panhandler.⁷ To assess this argument, two questions need to be answered: whether the marginal beneficiary of an organized charity is more deserving (in the donor's eyes) than the panhandler, and whether the benefit per marginal dollar from the organized charity is greater than the benefit for the panhandler. We know of no study that estimates either magnitude and cannot even imagine how such a study would be done.

A final argument is that donations to panhandlers encourage ("enable") either panhandling or homelessness. If donations to panhandlers encouraged panhandling, then we would see more panhandling when the flow of donations increased: the supply elasticity of labor to panhandling would be positive and large. The companion paper examined this issue and found that elasticity of labor supply was small and possibly negative. On homelessness, the income elasticity of demand for housing is almost surely positive: when people get more money they spend some of it on housing. (Some of the panhandlers we talked with described their plans to use some of their earnings for a cheap hotel room when they collected enough.) If anything, successful panhandling reduces homelessness.

It is probably not good public policy to propagate propositions for which there is no basis.

Schemes that seek to transmute monetary donations into in-kind donations have somewhat more substantial bases. They may in fact benefit the panhandler whom the donor sees, although there is no guarantee.

⁷ If pedestrians were concerned about global social welfare and if the city government were truly intent on helping them make the best decisions about how to promote it, then city governments would run similar advertisements urging pedestrians to give to charities rather than purchase luxury goods.

There are two arguments for in-kind rather than cash. The first is that in-kind can serve as a screening device (Nichols and Zeckhauser 1982). To the extent that the food or clothing that beneficiaries of these schemes receive is low quality, only truly needy people (according to this argument) will avail themselves of it, and so the procedure may keep well-off people from receiving donations. However, some schemes, such as Spector's, do not produce low-quality food. The argument for in-kind as a screening device, moreover, presumes regularities in preferences, and for panhandlers these regularities may not hold. Begging is seen as a degrading activity, and so is probably at least as good a screening device as low quality food. A rich person who was begging might well be willing to eat soup kitchen food too. In-kind is not obviously a better way to screen panhandlers.

The argument for these in-kind schemes, however, is generally about their power as temperance devices rather than screening devices. The argument is that if you give money, panhandlers will spend it on drugs and alcohol; if you give money through the scheme, panhandlers will get food instead.

It is not clear that this inference is correct. A significant portion of panhandlers we have met do not abuse substances; they would not be able to panhandle effectively if they did. Even those who do use alcohol or drugs extensively consume some food. If the scheme gives them the same amount of food they would have consumed in its absence or less, then the scheme is the same as giving money, since they can use the money saved on buying food to buy alcohol or drugs. Only if panhandlers get more food than they would normally consume after monetary donations will it reduce alcohol and drug consumption, and even then the portion of food from the scheme that equals normal food consumption will go to drugs and alcohol.

5. Policies to Provide Better Opportunities to Panhandlers

Perhaps welfare-reducing panhandling should be treated with a carrot rather than a stick. A possible policy to do this is to offer panhandlers other, more lucrative employment. Such employment would leave them less time for panhandling, and the income would reduce their desire to panhandle.

Our study of Downtown Manhattan suggests that such a policy might in fact reduce panhandling. If the supply of labor to panhandling were highly elastic, the policy would not work: departing panhandlers would be replaced by new panhandlers, and if targeted employment opportunities raised the expected return from becoming a panhandler, the equilibrium number of panhandlers would rise. Our results, however, suggest that labor supply is rather inelastic, and so an employment policy might reduce the number of panhandlers, at least in the short run.

Who would gain from this policy? Probably all the groups we have concentrated on in this paper: panhandlers, pedestrians who do not want to see panhandlers, and probably pedestrians who wish panhandlers well. Valuable output would be produced, too, but probably less valuable than the wages paid to former panhandlers. This policy resembles the Coasian policy of paying panhandlers not to panhandle, and may be a potential Pareto improvement.

There are some problems, however. The obvious one is the problem of receipt of other government benefits, especially SSI.

Recruiting participants is also a problem. The number of people who panhandle is very small—almost certainly less than 500 at any time in New York, a city of 8.5 million. The panhandlers we know downtown have observable characteristics like those of hundreds of thousands of New Yorkers; they are not outstandingly destitute. The inelasticity of labor supply suggests that panhandlers are unusual in this group in their taste for panhandling; thus a program attractive enough to induce them not to panhandle would also be attractive to many people who do not panhandle. So unless the program employed a large number of people who were not panhandlers, it would have to use recent panhandling experience as an eligibility criterion.

Using recent panhandling experience as an eligibility criterion has several difficulties. It is not verifiable, and many people panhandle for short spells. Labor supply to panhandling as now constituted may be fairly inelastic, but many people may be willing to panhandle for a few afternoons if that is the route to a decent job. If long-term panhandling is required, the program would be restricted to a smaller number of panhandlers, many of whom are probably SSI recipients. The program would miss many panhandlers—probably those who would be lured from panhandling most easily.

(Why can't "Jobs First" work for panhandlers the same way that Housing First seems to work for homelessness? Housing First is designed for the most distressed and chronic portion of the homeless population, not all of it, and many Housing First participants receive SSI. The most distressed portion of the panhandling population also should mainly be receiving SSI. SSI precludes employment, not housing.)

Historically, the most common form of such policies has probably been "street newspapers"—weekly or daily publications sold on the street by people who keep a large proportion of the revenue, and advertised not for the quality of their news, but rather for the opportunity that selling presents to the salespeople. These programs have many of the problems that general employment programs have, but lack some of the advantages. They do not lessen street congestion, for instance, and probably increase it because people who would not otherwise be panhandling may sell newspapers. The value of output may be low; and printing, publishing, and waste disposal may add significant costs without directly benefiting anyone.

Although targeted employment programs may have difficulties, relaxing SSI restrictions on employment may allow some panhandlers to find alternative employment. Such a policy would affect large numbers of people, almost all of whom do not panhandle. It would be a potential Pareto improvement if its benefits exceeded its costs for those people, and there is reason to believe that that would be the case.

6. Panhandling in Other Places

To what extent do our thoughts carry some force outside Downtown Manhattan? Since we have not studied any place else, any answer has to be speculative.

Most of our conclusions probably hold for other dense bustling neighborhoods in developing countries, since the volume of pedestrian flow was an important factor. But donor generosity also mattered to welfare calculations, and so panhandling policies should be more restrictive in cities where people are less generous than New Yorkers, and less restrictive in cities where they are more generous. We do not know whether average pedestrian generosity varies among cities, and, if so, how.

Many of our results also depended on low labor supply elasticity. Low labor supply elasticity was a major finding in our empirical companion paper (Dordick et al 2017). We do not know why labor supply elasticity is low—perhaps the reason is the stigma attached to panhandling—and so we do not know whether to expect similarly low elasticities elsewhere. If the reason is stigma, perhaps labor supply elasticities will also be low in other rich cities and rich countries. We suspect that they are not low in developing countries.

In less dense neighborhoods and on subways, panhandlers have to invest more in trying to get a donation from each person they see, since they encounter fewer people, and so they often use different tactics from the very passive ones we observed downtown. These tactics may change the cost of saying no. Welfare analyses for these areas might be different, and focus more on tactics, but the approach would be similar.

7. Conclusion

We hope we have moved the discussion of panhandling from absolutism to careful consideration of costs and benefits, even though our calculations have been very rough and tentative. A

reasoned panhandling policy can help rich people do good and poor people do well. But developing such a policy takes thought, study, and experimentation.

Panhandling has been practiced for millennia, and will probably survive a transition to a cashless society, if that ever occurs. The app that a credentialing agency runs, for instance, could allow a donor to make a cashless donation to the panhandler she sees on the spot, and inform the panhandler that the donation has been made (most panhandlers today carry phones). This is another way in which credentialing agencies could be useful.

Probably the most important unexplored issue is the relationship of panhandling to means-tested income support programs like SSI (and other means-tested programs like Medicaid). We saw again and again that marginal rates made a big difference in what could be done. If all the rules are followed and everybody knows everything, when a donor with \$100,000 annual income gives a dollar to a disabled panhandler, the federal government takes \$0.50. If she gives a dollar to a church instead and that church gives the panhandler a bowl of soup or a lecture about financial responsibility, the federal government gives her \$0.25 in reduced income taxes. This discrepancy seems hard to defend.

A disabled person on SSI in New York in 2016 receives \$820 a month (New York State Office of Temporary and Disability Assistance, 2016). Perhaps the relevant question is whether this amount is intended as a floor on public generosity, or a ceiling. Of that \$820, \$87 is a supplement to the federal amount of \$733 that the State of New York adds from its own funds; the federal amount is not reduced because the New York State government has decided to add this amount. For what reason would a dollar donated by a New York taxpayer to an SSI recipient on Broadway be treated differently from a dollar given to that same person by New York taxpayers collectively? These are important questions that need to be considered in developing good panhandling policy, but they go beyond the scope of this paper now.

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