
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.*

➤ **Keywords** *Panhandling, begging, panhandling policy, donor behaviour*

Introduction

Some people hate panhandlers. In *The Mahabharata* (book 13, section LX) Bhisma said: “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 neighbour — 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 a recent paper (Dordick *et al.*, 2018a). Probably the most important finding from that paper is that the supply of labour to panhandling appears to

be somewhat inelastic. That means that we need not worry that moderate improvements in the experiences of panhandlers will be offset by large inflows of new panhandlers.

Because our data are for Downtown Manhattan, our policy discussion is, too. Downtown Manhattan is bustling, rich, and crowded. We also use some data from a survey of panhandlers and donors conducted by the Union Square Business Improvement District in San Francisco (GLS Research, 2012; GLS Research, 2013). Unfortunately, the survey does not describe its sampling protocol and so we are unsure of whether the sample is representative of either donors or panhandlers in Union Square. At any rate, though, neither Downtown Manhattan nor Union Square San Francisco is representative of either the United States, Europe, or the world. 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.

In the United States, recent court decisions also make this a good time to look seriously at policy toward panhandlers. Two Supreme Court decisions, *McCullen v. Coakley* (134 S. Ct. 2518(2014)) and *Reed v. Town of Gilbert, Arizona* (135 S. Ct. 2218(2015)), have resulted in many municipal ordinances regulating panhandling being struck down, while leaving many that have not been struck down yet probably invalid. The two Supreme Court decisions were about First Amendment rights, not about panhandling per se — *McCullen* was about anti-abortion protests and *Reed* was about signs giving directions to church functions — but they both limited the ways that municipalities could restrict panhandling and other expressive activities.

McCullen said that government restrictions on speech had to meet a standard called “intermediate scrutiny”: the restrictions had to be content-neutral, narrowly tailored, and provide ample alternative channels of communication. Federal courts used this standard to strike down a Charlottesville, Virginia ordinance prohibiting individuals from requesting an “immediate donation of money or anything of value” on the downtown pedestrian mall (*Clatterbuck v. City of Charlottesville No. 3: 11-CU-00043* (2015)). The “immediate donation” was content-based, and the city failed to show why its stated goal in adopting the ordinance, traffic safety, could not be achieved by enforcing old traffic ordinances or adopting new ones, for instance, without restricting free speech (Blair, 2015).

In *Reed*, the majority opinion authored by Justice Clarence Thomas held that any content-based restrictions are subject to strict scrutiny and must be narrowly tailored to further a compelling government interest. It also expanded what the “content-based” meant. The Town of Gilbert’s Sign Code set out different rules for each of three classes of signs—“ideological,” “political,” and “temporary directional signs relating to a qualified event,” with the strictest rules for the third class. The restrictions on temporary directional signs were “on their face” content-based, and so were subject to strict scrutiny.

Soon after the Supreme Court ruled in *Reed*, the Seventh Circuit followed the new standards in considering Springfield, Illinois’s panhandling ordinance, which prohibited oral requests “for an immediate donation of money” in the downtown historic district, and found it to be content-based. In *Norton v. City of Springfield* (7th Cir. 2015), the court stated, “Any law distinguishing one kind of speech from another by reference to its meaning now requires a compelling justification,” and because the City could provide no compelling justification, struck down the ordinance.

Thus in *McCullen*, *Reed*, and *Norton*, the courts have said that the old ways of treating panhandling, without data or theory, cannot continue, and that most municipalities must re-examine their policies. While we by no means intend this paper to be a legal treatise and we do not explicitly consider the constitutionality of the policies we discuss, we hope to contribute to this re-examination.

The prospect of a cashless society in the near (or far) future has also reawakened interest in panhandling, which is now a cash activity in the US. Panhandling predates most forms of money as we know it, and has adjusted to huge changes in society and technology in the last two millennia. We speculate on how some of the policies we consider would accommodate a cashless society.

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 in Downtown Manhattan 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, along with street newspapers, which seem to work in a similar way. We then discuss policies that regulate the behaviour 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. We then turn to policies that try to alter the behaviour of donors, and policies that seek to provide alternative opportunities to panhandlers, such as those in Albuquerque, New Mexico, and we then ask 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 labour 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 is not homeless. About a fifth of the Union Square, San Francisco panhandlers said they were not homeless (GLS Research, 2013).

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; Trachtman *et al.*, 2015; Andreoni *et al.*, 2017) have tried to understand and quantify this distaste. We can use this evidence to make some rough inferences about the cost of panhandling to passersby, and from these inferences attempt to find out whether the costs of panhandling exceed its benefits.²

Andreoni *et al.* (2017) and Trachtman *et al.* (2015) both study outdoor solicitations at a supermarket, while Della Vigna *et al.* (2012) look at door-to-door solicitation. Panhandling seems closer to supermarket solicitation than to door-to-door. Andreoni *et al.* (2017) has a more detailed calculation of costs to passersby, and so

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. His discussion follows Maus (1967).

² Andreoni *et al.* (2017) 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.

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 per hour 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 2,000 (New York Department of City Planning, 2006). 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.* (2017) 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 percent 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 travelling 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.* (2017) 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.* (2017) 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.* (2017) 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. The mathematical details of how we do this are in the *Appendix to Policy for Panhandling* (Dordick *et al.*, 2018b).

The appendix (Dordick *et al.*, 2018b) shows that in general, the social benefits of panhandling exceed the social costs if, and only if, the expected social benefit of donations (to both parties) per pedestrian is greater than the external harm per pedestrian (plus the cost of panhandler time per pedestrian, which in our case is trivial). With plausible parameters derived from Andreoni *et al.* (2017), these two quantities are about the same.

Thus a blanket statement about whether panhandling downtown is welfare-improving seems impossible. 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.⁴ Remember that our whole analysis rests on the premise that good panhandling is good, and bad panhandling is bad.

Notice that our analysis of the harms of panhandling has concentrated on the effect on actual passersby. Sometimes observers cite an additional harm—the promotion of crime. This view is based on the broken windows hypothesis (Wilson and Kelling,

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 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.

1982): signs of disorder in a neighbourhood like visible prostitution, garbage, graffiti, and public inebriation indicate to potential criminals that residents are indifferent to what goes on in a neighbourhood, and so if they commit serious crimes they will get away with them. Minor disorder leads to serious crime and a spiral of urban decay. If this association is correct, and if panhandling is in fact a sign of disorder, then panhandling would have larger external costs than we have discussed.

We are aware of no empirical evidence that legal panhandling is a sign of disorder like this. How could a potential criminal infer from seeing people exercising their First Amendment rights that the neighbours were indifferent to the neighbourhood? One might legitimately infer that the neighbours were law-abiding or generous (or that the neighbourhood was safe enough for weak or disabled people to carry on a cash business in plain sight without being robbed), but not that they were indifferent.

Whether reducing disorder, however defined, also reduces crime is also controversial, with considerable evidence on both sides of the question. Braga *et al.* (2015) is a recent meta-analysis of 30 experiments and quasi-experiments that test the broken windows hypothesis. Overall, the meta-analysis found a modest crime-reduction effect on average from policing initiatives inspired by broken windows, but found that “aggressive order maintenance strategies that target individual disorderly behaviors”—like crackdowns on panhandling—“do not generate significant crime reductions” (p.568).

Of the 30 studies, two are particularly relevant: the southeastern city foot patrol experiment (“Vagrants, prostitutes, drunkards and parking violators targeted by foot patrol in downtown business areas”), and the Las Vegas order maintenance experiment (“Specialized unit dedicated to maintaining order and enforcing misdemeanor arrests laws in targeted area”) (p.576). Neither reduced crime incidents significantly, both were below median effectiveness of the studies surveyed. We do not see any reason to think that an increase in crime (except possibly against panhandlers) is an external cost of panhandling.

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. 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, some 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.

Notice that personal trainers are not licensed by the government, and neither would panhandlers under this proposal. Government licensing in the US would probably be unconstitutional (see, for instance, the decision invalidating the Washington DC tour guide licensing ordinance (*Edwards v. District of Columbia*, 943 F. Supp. 2d 109, 122 (D.D.C., 2013)) or the ongoing Charleston tour guides case). Uncertified panhandlers would still retain all legal rights. Many occupations have voluntary indicia by which the public can recognize them — physicians wear white coats, and ice cream truck operators play Turkey in the Straw, for instance—and panhandlers would be no different from these occupations.

What would be the effect of a credible certifying agency? It would almost certainly increase the volume of donations, and the expected utility of infra-marginal 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 for the volume of panhandling again depending on the supply elasticity. If the supply elasticity is small, as we found in the companion paper (Dordick *et al.*, 2018a), 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 donor benefits from giving may also increase. The social value of a dollar to the average panhandler would also probably increase. Both parameter changes would increase the net benefits from panhandling.

Would certification be valuable enough 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 some systems of credentials could be 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 certification 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 signalled credibility, but makes individual police officers rather than potential donors the target of that signal⁵).

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.

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,

⁵ We thank Patrick Markee for this interpretation

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. Only 13 percent of the panhandlers interviewed in the Union Square San Francisco study had been panhandling for less than a year, and 58 percent said they had been panhandling for five years or more, but the survey protocol did not seem to assure a representative sample of Union Square panhandlers at the moment the survey was taken (GLS Research, 2013).

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.

Finding the right standards to certify may also be hard. If the requirements to receive a certificate are extremely high, few panhandlers will qualify, and many donors will continue to give to uncertified panhandlers because they think that lack of certification is not a strong indicator of lack of desert. If the certificate requirements are too loose, many panhandlers will qualify but the rewards from qualifying will be small or non-existent because potential donors will not be impressed by the certificate. If donors think the certificate conveys little information for this reason, they may not restrict their donations to certified panhandlers. Recognizing the heterogeneity of potential donors, credentialing agencies might issue several different grades of certificates (as bond rating agencies do), but different grades may add confusion for potential donors. Over time, credentialing agencies may learn by trial-and-error what systems work well in their areas. Credential systems are likely to vary from city to city. The need for experimentation and flexibility is another argument for why credentialing is probably best handled by private rather than governmental organizations.

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)⁶. 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

⁶ In the Union Square survey, 62 percent of panhandlers said they received government assistance and 62 percent also said they were disabled, and so a considerable proportion of SSI recipients could be inferred. In Downtown Manhattan, we know directly about SSI receipt.

Program (SNAP) benefits, with a marginal tax rate of 14 percent, and some may be subject to child support orders. As a result of these clawbacks, 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.

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.

Several organizations approach being certifying organizations; the concept is not completely new."Beggars' badges" were used in early 15th century Great Britain and Ireland. For instance, an act of the Scottish parliament in 1425 prohibited begging by anyone who did not have a token from the local sheriff that he could not make his living in other ways. Thus beggars' badges differ from the credentialing we discuss in being mandatory and governmental. However, some churches issued communion tokens, and pilgrims to shrines received pilgrims' badges. A scallop shell badge is still used by pilgrims on the Camino de Santiago in Spain.⁷

Street newspapers like The Big Issue in London and Melbourne, Street Sheet in San Francisco, Street Sense in Washington, and Spare Change News in Boston in some sense try to act as certifying agencies. These are 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 vendors. Vendors show that they are at least responsible enough to pick up newspapers, that the managers of the street newspaper think they are sober enough to be trusted with the papers for a little while, that they are willing to work, and that they are self-controlled enough to save up money every day to buy the next day's papers. The implicit trust that celebrities featured in the publications place in the vendors might also be interpreted by potential donors as information about the trustworthiness of vendors. Street newspapers, however, do not generally certify for need or sobriety. Many vendors might not have been panhandling or homeless in the absence of the newspaper. We will address this issue in Section 5 below, on work programs.

⁷ We are grateful to Rachel Griffin for pointing this out.

The eventual disappearance of both UHO and the original street newspaper, *Street News* in New York, show 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 contract) that the vendor gets all the money at the margin. But the continued prosperity of many other street newspapers shows the task may not be impossible.

Samaritan (formerly GiveSafe) in Seattle also appears on the surface to be a certifying agency, and with some modifications might become one.⁸ Samaritan distributes Bluetooth beacons to unsheltered or homeless people and collects their stories from a five-item questionnaire. It does not impose an eligibility standard or verify the answers to the questionnaire. The Samaritan app notifies potential donors who have it when they are near a beacon holder, and lets them read the beacon holder's story. Then the potential donor can use the app to transfer money to the beacon holder's account at Samaritan. "The beacon holder can use funds at partnered stores or nonprofits to buy what they need to survive or leave the street." (Samaritan, 2017). Beacon holders must attend counselling sessions every month when the batteries on their beacons need changing.

Samaritan is a regular company, not a non-profit, and collects a commission on each transaction, both when a donor gives to a beacon holder and when a beacon holder buys something at a partnered store (GiveSafe, 2016).

Since Samaritan has no eligibility criteria, whether beacon holders are homeless or panhandlers is immaterial. By refusing to certify, Samaritan places a heavy informational burden on potential donors; this may not be practical in Manhattan where pedestrian crowds move quickly.

Samaritan maintains that its commission structure aligns its incentives with those of beacon holders, because its revenue depends on the dollar value of transactions (GiveSafe, 2016). The commissions, however, coupled with Samaritan's refusal to take a stand on the veracity of beacon holders' claims, mean that Samaritan's incentives are to abet any scams that beacon holders want to engage in. In its current form, Samaritan is only a high-tech version of the standard panhandling model, but it could be converted into a certifying agency.

⁸ We are grateful to Kevin Corinth for letting us know about Samaritan.

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. Spelling out exactly what aggressive panhandling is may be hard, but policies that prohibit it are consistent with encouraging good panhandling and discouraging bad. Existing laws against robbery may be sufficient and would not run afoul of First Amendment issues.

Aggressive panhandling is not a major issue in Downtown Manhattan, where large and swiftly moving crowds make singling out any particular pedestrian a foolhardy panhandling strategy. This also appears to be the case in Union Square, San Francisco, where only 3 percent of donors said that they gave because they felt threatened (GLS Research, 2012). But other locations are probably different.

Does this argument against aggressive panhandling 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 pretences? 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 (as UHO did), 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, 2018, 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 he 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 was 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 likely work best when neither type of pedestrian is overwhelmingly dominant, or when the preponderance of pedestrians is 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 neighbourhoods 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.* (2017) 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 for locations (as opposed to licenses for panhandling in general). The city government would license particular stretches of sidewalk to particular panhandlers for specified periods of time. The model would be similar to 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. As we have noted, any licensing scheme would probably be subject to constitutional challenges.

Licensing would also open licensees to investigations of their income if they were collecting means-tested government benefits, especially Supplemental Security Income (SSI) and food stamps (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).

Altering Donor Behaviour

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 \$1,000 and \$1,500 in the aggregate on an average working day. Workers in Downtown Manhattan make about \$100m 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, except for feeding programs. That also appears to be the case in San Francisco. 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. St. Anthony’s, for instance, one of the two large feeding programs that Union Square panhandlers use, claims never to have turned anyone away, and so a dollar directed to St. Anthony’s would not improve the well-being of the individual whom the potential donor sees, except to a tiny extent; almost all the benefit would accrue to other people.

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 a donation to the panhandler.⁹ 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 labour to panhandling would be positive and large. The technical paper (Dordick *et al.*, 2018a) examined this issue and found that elasticity of labour 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, and 23 percent of Union Square panhandlers said they used the money they collected for shelter or housing (GLS Research, 2013).) If anything, successful panhandling reduces homelessness.

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

How effective these programs are is also open to question. In June 2015, Albuquerque, New Mexico initiated a well-publicized special line to collect donations for recognized charities instead of panhandlers. Called "A Better Way", this line was part of a larger initiative that has received extensive and favourable coverage throughout the US. As of September 6, 2017, collections totalled \$63,807—about \$80 a day (Albuquerque, 2017). Three or four panhandlers probably would have collected the same amount.

⁹ 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.

Schemes that seek to transmute monetary donations into in-kind donations like those in Spector (1996) have a somewhat more substantial base. The restriction of spending to partner stores, none of which sell alcohol, is also part of the Samaritan program. These schemes may in fact benefit the panhandler whom the donor sees, especially if the donor is naïve, although there is no guarantee.

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 or Samaritan'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. Panhandling itself may be the best screener.

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. In Union Square, 94 percent of panhandlers said they spent money on food, and 44 percent said they spent money on drugs or alcohol, and spending money is not necessarily the same as abuse (GLS Research, 2013). 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. Samaritan offers a much wider array of (meritorious) goods than food in its partnered stores, and so almost guarantees that most of donations given to token bearers who abuse substances will in fact be used for those substances (after commissions).

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. The work could be either public—cleaning up parks or shovelling snow, for instance—or private—like street newspapers.

Our study of Downtown Manhattan suggests that such a policy might in fact reduce panhandling. If the supply of labour 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 labour 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 500-1,000 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 labour 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. Labour 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 were 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, street newspapers have probably been the best-known employers of people who might be panhandlers. As employment programs, street newspapers 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. The argument for street newspapers is really credentialing, not employment.

Albuquerque's "A Better Way" also includes a well-publicized program of jobs for panhandlers (Albuquerque, 2017). A van picks people up in the morning; they work for \$5 an hour for nine hours at various city maintenance projects, and the van returns them to a non-profit counselling and shelter agency. This happens twice a week for about ten individuals. The description of the program seems to use the words "homeless" and "panhandler" interchangeably, but since the program has no eligibility criteria, the level of confusion is not significant. The number of panhandlers active on an average day in Albuquerque is unknown, but the point-in-time count of people experiencing homelessness in January 2017 was 1,318, of whom 184 were children (New Mexico Coalition to End Homelessness, 2017).

By June 2017, however, enough panhandlers were active in Albuquerque for a city council member to complain about their ubiquity and draw up an ordinance (probably unconstitutional) to eliminate panhandling at intersections. The media coverage of this proposed ordinance did not mention any reductions in panhandling from "A Better Way" (Lopez, 2017).

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.

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 neighbourhoods in developed 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 labour supply elasticity. Low labour supply elasticity was a major finding in our empirical companion paper (Dordick *et al.*, 2018a). We do not know why labour 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 labour 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 neighbourhoods 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.

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. Samaritan already operates a cashless panhandling system, and 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 clawback rules 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 or more. 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. This specific issue depends on the details of the US income support system, but similar issues would arise with any income support system that offset some privately raised income with reduced governmental support.

A disabled person on SSI in New York in 2016 received \$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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