



# Poverty and crime in 19th century Germany

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## Abstract

We estimate the impact of poverty on crime in 19th century Bavaria, Germany. Rainfall is used as an instrumental variable for grain (rye) prices to address econometric identification problems in the existing literature. The rye price was a major determinant of living standards during this period. The rye price has a positive effect on property crime: a one standard deviation increased property crime by 8%. OLS estimates are twice as large as instrumental variable estimates, highlighting the value of our empirical approach. Higher rye prices lead to significantly less violent crime, though, and we argue that higher beer prices, caused by the higher rye prices, are a likely explanation.

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## 1. Introduction

This paper uses a new empirical approach to estimate the causal impact of poverty on crime. We study both property crime and violent crime in 19th century Bavaria, Germany. Figure 1 graphically presents the strong correlation between the price of rye—then the staple food of

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Fig. 1. Rye prices and property crime in Bavaria.

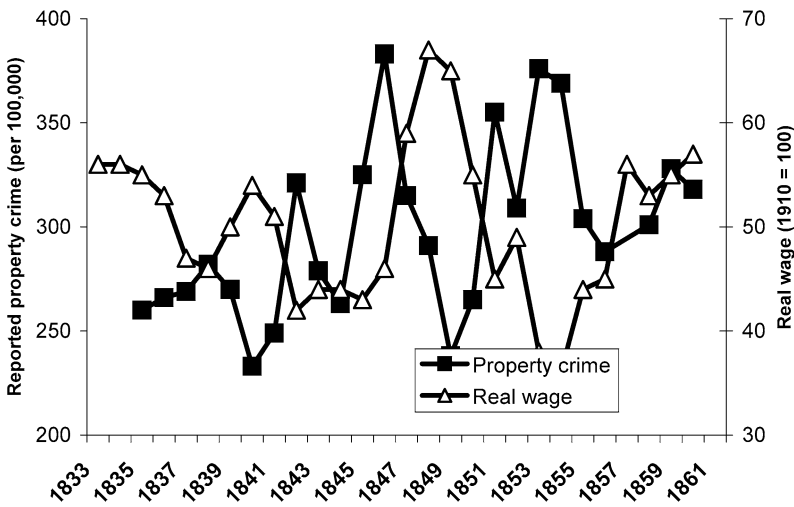


Fig. 2. Real wage and property crime in Bavaria.

most Bavarians—and property crime during 1835–1861, and Fig. 2 shows the link between real wages and property crime.

Striking correlations of this sort have been interpreted as the causal effect of poverty on property crime by historians, but they are potentially subject to bias due to endogeneity and omitted variables, and we are not aware of economic history research that addresses the key identification issues. In other words, does poverty generate crime—or does crime lead to more poverty? Or does some third factor—say, government institutional performance, a certain public policy reform, or political instability—affect both simultaneously? To credibly estimate the impact of poverty on crime, a source of exogenous variation in real income is needed. Although our aim

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