

# Democracy, Redistribution, and Inequality: Evidence From the English Poor Law

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# Motivation

- Core question: does income inequality increase redistribution?
  - Canonical prediction (Meltzer–Richard): higher mean–median gaps raise demand for redistribution
  - This logic underpins much of democratic redistribution theory (e.g., Acemoglu & Robinson; Boix)
- Empirical challenge: endogeneity between inequality, institutions, and policy;
  - Elites may block redistribution even after democratization.
  - Elites may resist democratization when inequality is high

# This Paper

- Test the Meltzer–Richard hypothesis using an institutional shock in 19-century England
- The 1894 Local Government Act democratized the councils governing the poor law—the
  - Poor relief was the main form of redistributive spending until 1910s
  - Controlled by local councils—the Guardians of the Poor
  - LGA removed protections for elites—such as a graduated franchise and property qualifications—in elections for the guardians
- Empirical strategy
  - Consider the LGA as an exogenous shift in local political power
  - Show that institutional setting matches Meltzer-Richard framework
  - Test whether post-reform spending increased by more in high inequality districts

## Conceptual Framework

## Conceptual Framework

- A simple framework clarifies when inequality should amplify the impact of democratization on government redistribution
- Population consists of poor (share  $\lambda$ ) and rich (share  $1 - \lambda$ ).
- Poor are employed with probability  $\pi$ .
- Government provides relief  $r$ , financed by proportional tax  $t$ .
- Utilities of rich and poor:

$$U_R = u(y_R(1 - t))$$

$$U_P = \pi u(y_P(1 - t) + \psi r) + (1 - \pi) u(r) + \kappa t$$

- $\psi$  = relief received even when employed
- $\pi$  = employment probability (insurance motive)
- $\kappa$  = fairness / class conflict motive

# Political Power and Redistribution

Government chooses relief  $r$  to maximize:

$$W = \phi U_P + (1 - \phi) U_R$$

- $\phi$  = political weight placed on the poor
- Democratization = increase in  $\phi$

## **Meltzer–Richard mechanism:**

If taxation is proportional and spending is redistributive,

$$\text{Higher } \frac{\bar{y}}{y_P} \Rightarrow \text{Higher redistribution}$$

But other forms of inequality can also matter:

- Elite de facto power ( $\phi$ )
- Insurance motives ( $\pi$  and  $\psi$ )
- Fairness motives ( $\kappa$ )

## Meltzer-Richard and 19-th century Britain

- The conceptual framework highlights that the Meltzer-Richard model prediction relies on strong institutional assumptions:
  - Spending is primarily redistributive
  - Taxation is approximately proportional
  - The median voter influences policy
  - Post-reform democracy is not “too strong”
- The 19-th century British Poor Law provides such a setting:
  1. Poor law councils controlled redistribution but not public goods
  2. Revenue raised via proportional tax on rental value
  3. Democratization remained limited even post-reform (no mass parties, malapportionment)
  4. Rural areas matched binary rich versus poor structure (small middle class)

Table 1: Operationalization of Channels Linking Inequality to Government Spending

Channel	Predicted Effect post-Democratization	Empirical Measures
Relative tax burden / Meltzer–Richard ( $\bar{y}/y_P$ )	Income Inequality $\longrightarrow g \uparrow$	Mean rental cost/ Median wage
Elite De Facto power ( $1 - \phi$ )	Elite power $\longrightarrow g \downarrow$	Presence of a peer Unelected chairman
Inequality aversion / Fairness concerns ( $\kappa$ )	Salient class differences $\longrightarrow g \uparrow$	% Land owned by economic elite % Large farms Cuts to outdoor relief 1866–85
Economic need ( $\pi, \lambda$ )	Need $\longrightarrow g \uparrow \downarrow^\dagger$	Cereal suitability index % Agricultural laborers % Over 64

Notes:  $g$  is the spending on poor relief per capita.  $\dagger$  Theoretically, the prediction is ambiguous: greater economic need mechanically increases total spending due to a higher number of recipients, but also raises the marginal cost of relief, potentially reducing the optimal level of relief provided.



## The Institutional Setting

# The Poor Law: a Potted History

- Original “Old Poor Law” implemented in 1601, enshrined the right to receipt of relief for destitute
- Funded through local (parish level) taxation on property (the “rates”)
- Clear that support had to be provided...
- ...less clear what type or how much support
- Support could be provided:
  - In the workhouse (“indoors”)
  - In the community (“outdoors”)

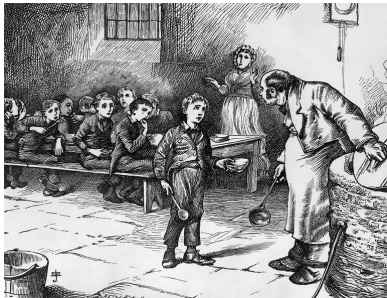
# The Poor Law: a Potted History

- 1834 New Poor Law
  - Parishes consolidated into “Poor Law Unions”, governed by “Guardians of the Poor”
  - Followed by decline in relief spending (Boyer, 1990)
- 1870s: Crusade against Outrelief: renewed attempt to cut relief
- 1894: “Democracy comes to the Poor Law Unions” (Brundage, 1975)
  - Local Government Act democratizes “Boards of Guardians”
  - Institutional protections for landed elites removed
- Poor Law eventually abolished in 1930s

# Poor Law Recipients

Broad range of rudimentary social insurance [▶ More](#)

- Unemployed (Unemployed men only c. 2%)
- Temporarily sick
- Permanently disabled
- Old aged
- Pregnant women
- Orphans



# Governance of the Poor Law Unions

- Poor Law Unions were governed by the “Guardians of the Poor”
- Controlled expenditure on poor relief but not on education or public goods
- Discretion over how relief provided and generosity (particularly outdoors)
- Relief funded out of *local* taxes
  - Proportional tax on value of property occupied
  - Did not include “personal” property (e.g. stocks), income or profits

# Governance of the Poor Law Unions

- Guardians predominantly elected at the level of the parish
- Electorate consisted of all local taxpayers ( “ratepayers” ) in the union unless had received poor relief
- Elites able to influence drawing of Union boundaries in 1834 (Brundage, 1972)
- Strong institutional protections for the wealthy elite (Lizzeri and Persico, 2004)
  - Graduated franchise with up to 12 votes for those owning and occupying large properties
  - No secret ballot
  - Significant property qualifications to act as a Guardian
  - *ex officio* Guardians (Justices of the Peace) sitting alongside elected Guardians

## 1890s Democratization

- Widespread change to local government institutions in England starting in late 1880s
- Property qualifications to act as a Guardian significantly reduced in 1893
- System of governance of PLUs (and other bodies) democratized by the 1894 Local Government Act
- Anti-democratic elements of elections of Guardians removed
  - Switch to one vote per voter
  - Secret ballot implemented
  - *Ex officio* Guardians removed
  - Property qualifications removed entirely

## Effects of 1894 Local Government Act

*It was complete revolution...some boards of guardians, certainly for a time, made radical changes and in some cases gave outdoor relief in the most lavish way*

Assistant Commissioner to Poor Law Board, reporting on 1894 LGA

- Reforms led to major changes in the composition of boards of guardians:
- Across a sample of 93 Unions, 46% of 3,690 guardians had not served before 1894.



## Data and Empirical Strategy

# Empirical Strategy

- Focus on rural Poor Law Unions with stable boundaries (225 in total)
- Take 1894 reforms as exogenous institutional change to all Boards of Guardians
  - Identify district-level inequality
  - Test whether democratization in 1893–1894 led to greater increases in spending in more unequal districts

# Data: PLU Spending

Number.	NAMES of UNIONS.	From Poor Rates.	In Aid of Poor Rates.		TOTAL Receipts.	(A).—Expended for Relief to the Poor, and Purposes connected therewith.					
			Treasury Subven- tions.	Other Receipts.		I.—Relief to the Poor.					
						(a) In-Maintenance.	(b) Out-Relief.	(c) Maintenance of Lunatics in Asylums or Licensed Houses.	(d) Workhouse or other Loans repaid, and in- terest thereon.	(e) Salaries and Rations of Officers, including the Sums repaid by Her Majesty's Treasury, and Superannuations.	(f) Other Expenses of or immediately connected with Relief.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.		
II. SOUTH EASTERN COUNTIES.											
1. SURREY (Extra-metro.)		£	£	£	£	£	£	£	£	£	
29	Epsom - - - -	25,857	792	343	26,992	2,410	5,375	1,685	..	1,547	819
30	Chertsey - - -	12,676	725	476	13,877	2,327	3,748	1,131	165	1,310	727
31	Guildford - - -	17,848	977	525	19,350	1,822	4,808	1,752	365	1,770	1,011
32	Farnham - - -	15,469	680	271	16,420	2,990	3,567	1,159	336	1,149	776
33	Hambledon - - -	12,324	502	190	13,016	1,119	3,243	932	124	1,013	449
34	Dorking - - -	9,987	442	112	10,541	1,040	2,466	854	..	945	523

# Specification

$$y_{it} = \beta_{inequality_i - x\_post1894_t} + \gamma_0 X'_{it} + T_t + \alpha_i + \epsilon_{it} \quad (1)$$

- $i$ =Poor Law Unions,  $t$  ranges from 1885–1905
- $y$ : (Log) Total Relief Expenditure per Capita
- $X$ : Demographics, tax base (property value), crop usage and suitability
- Inequality: various measures, pre-reform
- Identifying assumption: parallel trends, conditional on observable characteristics

## Results

# Income Inequality and Post-Reform Spending

- Estimate mean:median ratio a la Meltzer-Richard, adapted to the fact taxes fell on property rental value
  - Ratio of estimated mean: median housing expenditure
  - Captures the relative tax burden in this institutional context
- Consistent evidence that higher income inequality areas saw larger spending increases post-1894  $\Rightarrow$  Empirical support for the Meltzer-Richard hypothesis

	DV=Relief Expenditure per Capita (Standardized)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Income Inequality x post1894	0.12*** (.030)	0.09*** (.028)	0.11*** (.027)	0.11*** (.026)	0.11*** (.026)	0.11*** (.027)	0.11*** (.026)
Population			0.35 (.453)	0.30 (.460)	0.25 (.463)	0.32 (.464)	0.18 (.474)
Population Density			-0.20 (.435)	-0.26 (.446)	-0.25 (.447)	-0.26 (.447)	-0.24 (.448)
Decadal Variance in Pauperism			0.02 (.021)	0.02 (.020)	0.02 (.019)	0.02 (.020)	0.03 (.019)
% Popn Male Age Over 64			0.02 (.070)	0.02 (.068)	0.00 (.068)	0.02 (.068)	0.01 (.068)
% Popn Female Age Over 64			0.34*** (.092)	0.32*** (.090)	0.30*** (.090)	0.32*** (.090)	0.26*** (.091)
% Revenue from Poor Rate				0.13*** (.026)	0.12*** (.026)	0.13*** (.026)	0.12*** (.025)
Log Tax Base Per Acre				-0.11 (.114)	-0.08 (.117)	-0.11 (.116)	-0.03 (.117)
Estimated Effect of Inequality as % of pre-Reform Spending:							
10th Percentile	6%	5%	6%	6%	5%	6%	6%
Median	10%	8%	9%	9%	9%	9%	9%
90th Percentile	14%	11%	13%	13%	12%	13%	13%
Average	10%	8%	9%	9%	9%	9%	9%
% Δ Spend post-1894	70%	56%	63%	63%	63%	63%	63%
Crop Controls	N	Y	Y	Y	Y	Y	Y
Demographic Controls	N	N	Y	Y	Y	Y	Y
Quartic Time Trend					% Wheat 1885	Nearest Town Size	Longitude &Latitude
Year Fixed Effects	Y	Y	Y	Y	Y	Y	Y
PLU Fixed Effects	Y	Y	Y	Y	Y	Y	Y
No. Observations	4,368	4,368	4,368	4,368	4,368	4,368	4,368
No. PLUs	208	208	208	208	208	208	208

## Other Forms of Inequality Post-Reform Spending

- The previous results provided evidence supporting Meltzer-Richard
- But many other forms of inequality may also shape expenditure
  - These are of intrinsic interest
  - And also may mean we are capturing a different channel than suggested by Meltzer-Richard
- The results provide some support for other channels, without disrupting support for Meltzer-Richard

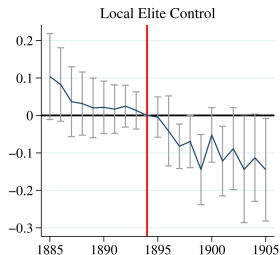
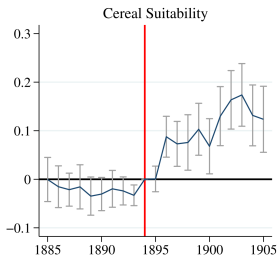


Table 3: Effect of democratic reform was conditioned by multiple dimensions of inequality.

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# Dynamic Effects

## With Controls



Note: Bars display 90% confidence intervals.

# Disaggregating the Effects on Poor Relief Expenditure

- The main result shows that inequality amplified post-1894 spending
- As a further test of the mechanism, we can investigate which types of support changed
  - Outdoor relief (direct redistribution)?
  - Indoor relief (workhouse support)?
  - Administrative or other spending?
  - Number of recipients?
- Theoretical implications:
  - Meltzer–Richard mechanism predicts strongest effects on *redistributive spending*—outdoor relief
  - Elites may be able to use de facto power for less observable spending

Table 4: The primary effect of income inequality was increasing outdoor relief.

	Dependent Variable (Standardized)					
	Expenditure p.c.			Paupers p.c.		
	Outdoor	Indoor	Other	Total	Outdoor	Indoor
Post 1894 x						
Income Inequality	0.09*** (.027)	0.00 (.033)	0.06** (.027)	0.11*** (.027)	0.08*** (.022)	0.04 (.025)
Local Elite Control	0.00 (.058)	-0.08 (.067)	-0.15*** (.054)	0.02 (.055)	0.02 (.050)	-0.08 (.051)
Cereal Suitability	0.03 (.028)	0.06* (.037)	0.11*** (.033)	0.02 (.029)	0.03 (.026)	0.03 (.027)
Controls	Y	Y	Y	Y	Y	Y
Year Fixed Effects	Y	Y	Y	Y	Y	Y
PLU Fixed Effects	Y	Y	Y	Y	Y	Y
No. Observations	4,368	4,368	4,368	4,368	4,366	4,364
No. PLUs	208	208	208	208	208	208

Notes: “Controls” include the variables included in specification (4) of Table 2. Standard errors are corrected for temporal and spatial autocorrelation within 100km using the approach of Colella et al. (2019) and are reported in parentheses. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level.

## Discussion

# Conclusion

- Democratic reform led to greater spending on redistribution in unequal districts
- Consistent with elites suppressing expenditure pre-reform but unable to do so after
- This provides empirical support for the Meltzer-Richard mechanism
  - Institutional context more closely aligned with theoretical assumptions than most empirical tests
- Support for theoretical argument that elites should resist democratization more when inequality is greater

# Local Politics and the Poor Law

- The overall effects of democratization appear muted
  - Caveated by the fact this is not causally identified
- We cannot investigate quantitatively because there are no detailed records of elections, but we can use historical sources to speak to this question
- Evidence from:
  - 1909 Royal Commission on the Poor Laws Unions
  - Local Government Manuals listing the Chairmen of Boards
  - Detailed historical study of Brixworth Union (Hurren, 2010)

## Continuities in Governance

- Gentry less involved post-1894, but not a mass democracy
- Poor citizens could influence policy, but with constraints
  - Malapportionment still existed (in 1895 Brixworth BDODRA won a majority of votes, but less than a quarter of the available seats)
  - Few elections, but could be triggered if guardians opposed relief
- The role of landowners was diminished, but farmers were predominant on boards before and after 1894
- More generally, 54% of chairmen of the boards stayed the same between 1893 and 1898, with a similar proportion even of *ex officio* chairmen.

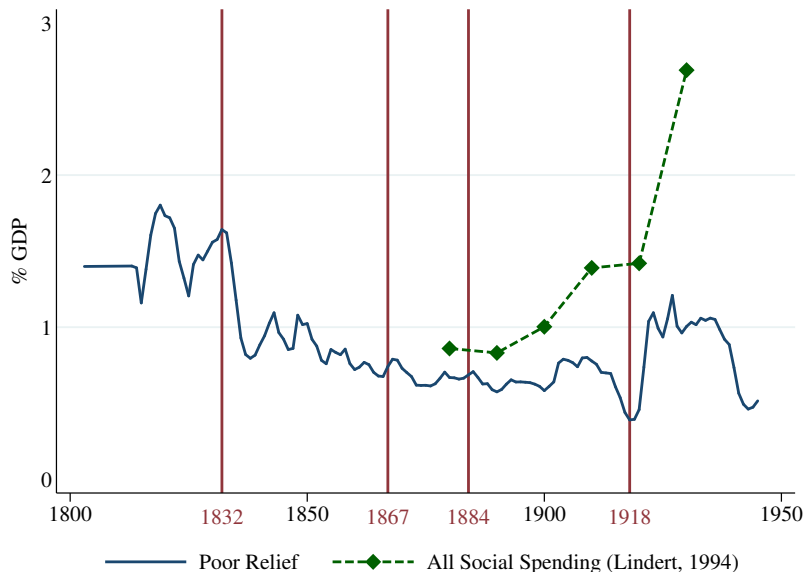
*"...the tone and policy of the Boards of Guardians is largely determined by the tenant farmers...Interspersed among the mass of farmers are clergymen, still fewer country gentlemen, and a sprinkling of land agents and small tradesmen...[T]he country gentleman is unable to secure election, or holds aloof because he is not willing to seek election, and...the country laborer is missing because he cannot afford the time"*



# The Poor Law and Democratic Reform

- Britain serves as a motivating example for several theories of democratization:
  - The Swing Riots and the 1832 Great Reform Act (Acemoglu and Robinson, 2000; Aidt and Franck, 2015)
  - Intra-elite competition and provision of public goods (Lizzeri and Persico, 2004)
- The Poor Law is the main form of redistribution (social safety net) until the early twentieth century
- So we might expect nineteenth century democratic reforms to be accompanied by growing poor law expenditure

# Democratization and Government Spending in UK



# This Paper and the 19-th Century Poor Law

- This paper's results suggests that the decentralization of welfare provision helped elites limit expenditure after 1834
- Use of *de facto* power to shape post-transition institutions (Acemoglu and Robinson, 2008)
- Elites allow democratization for public goods but not redistribution (Lizzeri and Persico, 2004)

## Conclusions