CESifo WORKING PAPERS

8914
2021

February 2021

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CESifo

Impressum:

CESifo Working Papers
ISSN 2364-1428 (electronic version)
Publisher and distributor: Munich Society for the Promotion of Economic Research - CESifo GmbH
The international platform of Ludwigs-Maximilians University's Center for Economic Studies and the ifo Institute
Poschingerstr. 5, 81679 Munich, Germany
Telephone +49 (0)89 2180-2740, Telefax +49 (0)89 2180-17845, email office@cesifo.de
Editor: Clemens Fuest
https://www.cesifo.org/en/wp
An electronic version of the paper may be downloaded
· from the SSRN website: www.SSRN.com
· from the RePEc website: www.RePEc.org
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CESifo *Working Paper No. 8914*

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Abstract

We study the relationship between housing inequality and crime in South Africa. We create a novel panel dataset combining information on crimes at the police station level with census data. We find that housing inequality explains a significant share of the variation in both property and violent crimes, net of spillover effects, time and district fixed effects. An increase of one standard deviation in housing inequality explains between 9 and 13 percent of crime increases. Additionally, we show that a prominent post-apartheid housing program for low-income South Africans led to a reduction in inequality and a decline in violent crimes. Together, these findings suggest the important role that equality in housing conditions can play in the reduction of crime in an emerging economy context.

JEL Codes: D630, O100, K140.

Keywords: inequality, crime, economic development.

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February 2021
We are grateful to the South African Police Service, the Western Cape Department of Environmental Affairs and Development Planning and Simon Franklin for providing us with data access. We also thank Tim Swanson for helpful comments and suggestions on an earlier draft. All remaining errors are our own. Viarengo and Manea gratefully acknowledge the financial support received from the Swiss National Science Foundation (Research Grant n. 100018-176454 - Principal Investigator: Dr. Martina Viarengo).

1 Introduction

South Africa is the most unequal country in the world. It has the highest Gini coefficient in global cross-country comparisons (World Bank, 2020). Besides high inequality, South Africa also exhibits exceedingly high crime rates. According to the most recent world-wide homicide ranking, South Africa has a homicide rate which is 6 times larger than the world average (Global Burden of Disease Collaborative Network, 2018; South African Police Service, 2020).

Consequently, South Africa provides a unique context to analyze the role of socio-economic inequalities and their impact on crime. To date, the vast majority of studies on inequality and crime have focused on income inequality (Kelly, 2000; Enamorado et al., 2016; Kang, 2016; Metz and Burdina, 2018) while a few of them have also looked into consumption-based or land inequality (Demombynes and Özler, 2005; Buonanno and Vargas, 2019). Nevertheless, it has become increasingly apparent that economic inequality is just one dimension of a broader phenomenon. Specifically, housing inequality is particularly important for countries where a significant percentage of households do not enjoy formal living arrangements. In post-apartheid South Africa, only 65 percent of households lived in a formal dwelling (Statistics South Africa, 2012).

In this paper, we aim to provide the first study of the relationship between inequality in housing conditions and various types of violent and property crimes. We also examine the role of a major post-apartheid housing program that was introduced by the South African Government to reduce inequality in living conditions. We evaluate the effect of this large-scale housing program on inequality and crime in one large province, the Western Cape. According to our estimates—based on primary data from the Department of Environmental Affairs and Development Planning (2014) and Franklin (2020)—the mean stock of housing projects in the Western Cape Province has evolved from 0 to roughly 2.08 and 4.22 thousand housing units per 100,000 people at the beginning of 1995, 2000 and 2010, respectively. This amounts to approximately 54,250 and 178,500 housing units delivered at the beginning of the years 2000 and 2010, respectively. The scale

of this government housing scheme is remarkable—compared to other African countries and emerging economies in general.[1]

We draw upon a unique panel dataset. We merge data on crime at the police station level with socio-economic data from the South African census to form a spatial panel. We collect information from the universe of police stations in the country on both violent offences (aggravated assaults, murders and rapes) and property crimes (thefts out of vehicles and residential burglaries), and we use census data to construct an index describing housing conditions across South Africa's former magisterial districts. In addition, we exploit the spatial nature of the data to identify the magnitude of spillover effects across districts. Finally, we also merge data on the location of housing projects that were approved by the Department of Human Settlements in the Western Cape Province. We use this data to investigate the impact that improved access to adequate housing has had on crime.

We find that housing inequality is positively related to the prevalence of all types of crime we investigate, except for murders. For most crimes, an increase of one standard deviation in housing inequality can explain between 9 and 13 percent of increases in criminal offences. The inequality-crime association is stronger for thefts out of vehicles, where a standard deviation increase in housing inequality explains 41 percent of the variation in the number of theft incidents per 100,000 individuals. Spillover effects between districts are significant and stand at approximately 30 percent of a district's own crime levels. Moreover, we show that an increase of 1,000 housing units per 100,000 people (approximately 0.45 standard deviations) reduces housing inequality by roughly 0.04–0.16 standard deviations. In terms of impacts on crime, we find that an increase of 1,000 housing units per 100,000 people triggers a 5 to 6 percent reduction in the rate of violent crimes. To our knowledge, this is the first study that provides evidence of a negative effect of inequality in housing conditions on crime. This finding is consistent with the

[1]According to the Department of Human Settlements, 3 million houses had been delivered by the end of 2017 in South Africa. On the continent, Algeria comes close, but the context is vastly different as the State provides most of the Algerian housing (Centre for Affordable Housing Finance in Africa, 2019). Another prominent housing intervention is the Integrated Housing Development Program (IHDP) in Ethiopia, but its scale pales compared to South Africa (The Economist, 2017). Morocco has also embarked on a mission to eliminate informal housing arrangements under the Villes Sans Bidonvilles Program, which started in 2004 and delivered 277,583 housing units—according to the Government of Morocco (www.mhpv.gov.ma, accessed September 6, 2020). If anything, the provision of government housing in South Africa is comparable to post-war reconstruction programs in Europe. For instance, Britain built approx. 3 million units of social housing in 1950–70 (The Economist, 2020).

predictions of strain theory in criminology. Significant strain can be associated with inequality in housing conditions because of people's failure to achieve the fundamental life goal of decent housing. Agnew (2001) argues that strains that are most likely to cause an offending behavior are usually high in magnitude, i.e., they are intense or lengthy and important to the individual, they are perceived as unjust and happen against the background of low social control.

Our study makes three main contributions to the literature. First, we provide evidence on the role of a neglected dimension of inequality, housing inequality, and its relationship with crime. Second, our analysis relies on a panel dataset whereas much of the previous literature on crime and inequality (particularly in South Africa) has been limited to cross-sectional analyses. This allows us to account for both the spatial autocorrelation in crime and for time-invariant unobservables across districts. More generally, we rely on a high-quality dataset which is very rare in a developing country context. Third, we show that a large-scale housing program, which reduces housing inequality, also demonstrates promise in the mitigation of violent crime. Even at the level of high-income economies with higher-quality data availability, there is insufficient evidence related to housing interventions (Collinson et al., 2015). For developing countries, the evidence is even scarcer.

The rest of the paper proceeds as follows. Section 2 provides an overview of the literature while Section 3 presents background information on our context. Section 4 describes the data and presents descriptive statistics. Sections 5 and 6 present the results of the empirical analysis. Section 7 provides concluding remarks.

2 Literature

2.1 Inequality, Property and Violent Crimes

Theory

Becker (1968) first introduced the idea of crime as a rational individual choice, whereby potential offenders compare costs and benefits of criminal acts to decide whether to undertake illegal activities. Consequently, governments can intervene to either reduce the

attractiveness of criminal participation relative to legitimate living or increase the costs of crime by making detection easier or punishment harsher.

Building on this insight, some economists have examined the relationship between inequality and property crimes. For instance, Chiu and Madden (1998) build on Becker (1968) and suggest that an increase in average income, which happens against the background of higher inequality, will increase the potential proceeds from illegal activities as well as the appeal of property-related crimes. This framework also implies that property offences will disproportionately happen in the relatively richer neighborhoods unless the adoption of defense technologies becomes widespread. Similar theoretical insights have been put forward by Freeman (1999), Wu and Wu (2012) and Costantini et al. (2018). Due to its underlying cost-benefit framework, the economics approach is arguably better suited to explaining property crimes rather than violent offences (Kelly, 2000; Wu and Wu, 2012; Draca and Machin, 2015). Property crimes are typically carried out for material gain, which makes them more amenable to a Becker-type cost-benefit analysis (Kelly, 2000; Demombynes and Özler, 2005).

The literature in criminology provides additional insights. While inequality is regarded as a deciding factor in assessing the magnitude of illegal benefits in a cost-benefit framework, the same phenomenon can also be interpreted as a source of strain leading to anger and impulsiveness, which in turn makes violent crimes more likely. Strain theory hypothesizes that criminal behavior may be the result of strain that individuals or societies feel. Such strain is generated by individuals' failure to achieve positively valued goals (Agnew, 1992,9, 2001). The strains most likely to cause offending behavior are generally high in magnitude, intense or lengthy and important to individuals, and they are perceived as unjust (Agnew, 2001). Negative emotions, such as anger, frustration and despair, are the hypothesized channels that connect strain to crime (Agnew, 1992,9, 2001; Brezina, 2017). Among these, anger is central to using strain theory to explain violent crimes (Aseltine et al., 2000; Piquero and Sealock, 2000; Mazerolle et al., 2003).

Empirics

The economic theory of crime is supported by evidence relating to the factors that speak to the attractiveness (or lack) of legal earning opportunities. Several studies show that

education is a crime-limiting factor (Lochner and Moretti, 2004; Machin et al., 2011; Chalfin and Raphael, 2011; Anderson, 2014; Hjalmarsson et al., 2015; Bell et al., 2016). Other researchers have investigated low wages and unemployment as inducements to a life of crime (Raphael and Winter-Ebmer, 2001; Gould et al., 2002; Machin and Meghir, 2004; Fougère et al., 2009; Bell et al., 2018; Khanna et al., 2019; Hémet, 2020). A number of studies also estimate the effects of inequality on crime incidence. In South Africa, Demombynes and Özler (2005) find a positive and strong correlation between inequality and property crimes using cross-sectional data. The authors show that the incidence of property offences is higher in police precincts that are relatively wealthier than their immediate neighbors. Metz and Burdina (2018) document similar results for a sample of urban centers in the United States. Bourguignon et al. (2003) further argue that the leftmost part of the income distribution disproportionately affects property crimes in Colombia. Thus, a change in income among individuals above a certain threshold would have no significant effect on mitigating crime. The same type of insight is also posited by Machin and Meghir (2004).[2]

The empirical evidence on strain theory comes exclusively from criminology. Using different types of data (e.g. macro-level, individual-level, school or neighborhood-level) these studies find suggestive evidence that strain leads to violence and criminal behavior (Rebellon et al., 2009; Mahler et al., 2017; Brezina et al., 2001; Hoffmann and Ireland, 2004; de Beeck et al., 2012; Warner and Fowler, 2003; Hoffmann, 2003). Although economists have not explicitly tested strain theory, it has been invoked to explain the relationship between inequality and violent offences —e.g. Kelly (2000) for metropolitan areas in the United States; Enamorado et al. (2016) in Mexico, and Buonanno and Vargas (2019) for Colombia. Kang (2016) further argues that it is a specific type of inequality, i.e., segregation and poverty concentration, that drives violent crimes in the United States.

[2]Researchers have also sought evidence related to the effectiveness of deterrents such as the size and intensity of police activities (Levitt, 2002; Di Tella and Schargrodsky, 2004; Evans and Owens, 2007; Lin, 2009; Draca et al., 2011; DeAngelo and Hansen, 2014; Chalfin and McCrary, 2018) or the magnitude and swiftness of sanctions (Liedka et al., 2006; Drago et al., 2009; Hawken and Kleiman, 2009; Johnson and Raphael, 2012). Overall, improvements in law enforcement systems are systematically linked to reductions in crime; however, sanctions appear to be a relatively weak deterrent.

2.2 Crime, Housing Inequality and Related Interventions

The existing literature on the relationship between crime and inequality typically uses data on consumption, expenditure, land ownership or income. To our knowledge, there are no studies that investigate the impacts of housing inequality on crime.

A related but distinct stream of literature has evaluated the impacts of programs targeting housing inequality—e.g. giving ownership titles to informal dwellers, providing infrastructure equitably or introducing housing subsidies. Field (2004; 2005; 2007) find that an urban titling initiative in Peru significantly increased household labor supply and household investments and renovations, and reduced fertility. Galiani and Schargrodsky (2010) document similar evidence for Buenos Aires, Argentina. In contrast, some studies show no impact or even negative effects of housing subsidies or rent vouchers on individual outcomes such as labor force participation, earnings and health in the United States (Susin, 2005; Newman et al., 2009; Jacob and Ludwig, 2012; Jacob et al., 2015) as well as in India (Barnhardt et al., 2017).

A smaller number of studies (largely on industrialized countries) investigate the effects of housing programs on crime. For example, Santiago et al. (2003) study public housing in Denver, Colorado, and argue that the program did not impact neither property or violent offences. In contrast, Freedman and Owens (2011) and Woo and Joh (2015) find that the Low-Income Housing Tax Credit program reduced crime in the United States, and in Austin, Texas, respectively. Freedman and Owens (2011) further argue that the program has mitigated violent crimes, but it has had no effects on property crimes. Finally, Disney et al. (2020) show that both violent and property offences have decreased as a result of the Right to Buy scheme in the United Kingdom, which enabled the tenants of public housing to buy their dwellings at subsidized prices.

2.3 Crime, Inequality and Housing Policies in South Africa

Although no study has examined the effects of government housing on crime in South Africa, several papers investigated various determinants of crime. Demombynes and Özler (2005) study consumption-based inequality and crime using the 1996 census cross-sectional data. The authors find that inequality is associated with increases in both

property and violent crimes, although the evidence is stronger for property offences. Similarly, Bhorat et al. (2017) study income-based inequality using a cross-sectional dataset (2011 census) and find a positive link between inequality and property crimes. Other studies have examined correlates of crime, such as education (Jonck et al., 2015), changes in ethnic composition around the time of democratization (Amodio and Chiovelli, 2018), the weather (Bruederle et al., 2017) and social capital in the former apartheid-time resettlement camps (Abel, 2019a).

No study has examined the impact of subsidized housing on crime in South Africa. Franklin (2020) relies on government housing data for metropolitan Cape Town to show that low-cost housing developments had a significant and positive effect on household earnings, particularly those of women. Using data on all metropolitan areas and different identification strategies, Picarelli (2019) and Lall et al. (2012) find no impact of housing programs on labor force participation, but document an improvement in children's education.

3 Background

3.1 Inequality and Crime

Inequality and crime are pressing issues in South Africa. As an example, the country has the highest Gini index in the world (World Bank, 2020)[3], and an estimated 65 percent of the pre-tax national income was captured by the top 10 percent of its earners during the past decade (World Inequality Database, 2020).[4] Moreover, the income share of the top 1 percent has increased from 10 to 21 percent between 1993 and 2014 (Alvaredo et al., 2018). In terms of crime, the homicide rate in South Africa is significantly above the global average and can be regarded as a symptom of wider crime-related problems. The homicide rate is of 36 reported cases per 100,000 individuals (South African Police Service, 2018) while the global average is of 6.1 homicides per 100,000 people (United

[3]Consumption data from 2014–15 is used to compute the Gini index of South Africa in this cross-country classification. The data can be retrieved from https://databank.worldbank.org. Accessed December 20, 2020.

[4]Only São Tomé and Príncipe has a higher rate of 68.9 percent, which is a significant increase from an estimated 60 percent in 2015. The data can be retrieved from https://wid.world/data. Accessed December 20, 2020.

Nations Office on Drugs and Crime, 2019).[5] Murder rates have remained extremely high, and this reflects the extraordinary level of violence that exists in South Africa.[6]

Moreover, property-related crimes are also a serious issue.[7] In 2018, 1 in every 24 households on a suburban block was burgled (Statistics South Africa, 2018). Given the sizeable magnitude of crime, it is not surprising that this threat is reflected in the way South Africans go about their daily lives. About 32 percent of individuals reported avoiding open spaces due to fear of crime, 17 percent were keeping their children from playing in their neighborhoods and 14 percent were fearful of walking in their own town or using public transportation (Statistics South Africa, 2018). In addition, about 52 percent of South African households took significant measures to protect their homes (Statistics South Africa, 2018). Given the high levels of poverty in the country, this also implies that a large percentage of households allocate part of their limited resources to home protection.

South Africa has been suffering from widespread crime and high inequality for a long time. For instance, the concept of separate and unequal resource allocation was embedded into South Africa's apartheid legislation on general facilities, education and employment (Byrnes, 1996). Although apartheid was formally introduced in 1948, the ideology had been in place long before (Wilkinson, 1998). This has had long-term consequences for the socio-economic development of South Africa. In 1991, the legislative pillars of apartheid were repelled: The Land Act of 1913 and 1936, the Group Areas Act of 1950 and the Population Registration Act of 1950 (Byrnes, 1996). The new democratic government came to power in 1994. Several reforms followed.

As a result of concerted development efforts and reforms—including several safety-net programs, public pension schemes, housing subsidies, school feeding programs, the elimination of school fees for the poor and free healthcare for children, the elderly and other vulnerable groups—the poverty rate fell from 34 percent in 1996 to 19 percent in 2015

[5] 2017 statistics are used for comparability. 20,277 murders between April 2017 and March 2018 (South African Police Service, 2018) for an estimated population of 56,52 million.

[6] For the 2019–20 financial year, the rate was still at 36 (South African Police Service, 2020).

[7] There are some differences across countries with respect to definitions and propensities to report such incidents that make it more difficult to compare South Africa with other countries.

(African National Congress, 1994; World Bank, 2018).[8] Moreover, the proportion of the population with access to basic amenities has continued to increase (World Bank, 2018). In 1994, 62 percent of individuals had access to electricity. In 2015, the percentage increased to 86. Regarding access to improved water and sanitation facilities, the ratios went up from 83 to 93 percent and from 53 to 66 percent, respectively (World Bank, 2018). Furthermore, South Africa is close to achieving universal primary and secondary education, which is key to promoting socio-economic mobility. School attendance among children aged 6 to 18 has increased from 85 percent in 1996[9] to 96 percent in 2017 (Statistics South Africa, 2019). Despite these improvements in average wellbeing, crime has remained high, and South Africa continues to be exceedingly unequal (Alvaredo et al., 2018; World Bank, 2020; World Inequality Database, 2020).

Using 2015 data, the World Bank (2018) shows that most of the richest decile in South Africa was connected to the electricity grid and had access to an improved water source: 98 and 97 percent, respectively.[10] In contrast, about 78 and 54 percent of the poorest decile enjoyed these amenities. Similarly, roughly 65 percent of the poor had access to improved sanitation, while the richest decile was nearing universal access (World Bank, 2018). Lastly, only 2–3 percent of the richest decile were living in overcrowded housing. The rate among the poorest decile was 68 percentage points higher (World Bank, 2018).[11]

3.2 Housing Policy

Housing policy in South Africa started off as a racialized scheme around the 1920s. The 1918–20 influenza pandemic likely precipitated the writing of policies and the establishment of institutions intent to segregate South Africans based on race (Wilkinson, 1998). Between the 1930s and the mid-1970s, housing policy in South Africa served the segregationist agenda of the apartheid government. This agenda ultimately promoted the concept

[8]The World Bank uses international poverty lines in this assessment. Namely, US $1.9 at 2011 purchasing power parity exchange rates. Based on locally measured poverty thresholds, i.e., R758 per month in terms of 2017 prices, the poverty rate was 40 percent in 2015 (World Bank, 2018).

[9]According to the 1996 census. Obtained as the division between full- and part-time students on the one hand, and the 6-to-18 population less the institutionalized and the "*unspecified*" category, on the other.

[10]Calculations of the World Bank based on 2014–15 data.

[11]The World Bank uses the number of people per bedroom to measure overcrowding. Two persons per bedroom is the standard applied to determine whether a household is overcrowded.

of separate development which implied total apartheid (Wilkinson, 1998). Starting with the mid-1970s, however, pressure started mounting against the apartheid government. The urbanization of black South Africans was increasingly regarded as inevitable (Goodlad, 1996). It was no longer feasible to keep black South Africans away from white urban centers. In this context, due to a long history of injustices, people in townships started to revolt (Wilkinson, 1998). Consequently, the government began to slowly relax its vision of total apartheid, and some measures were taken to increase the housing infrastructure catering to African households. Nevertheless, these efforts lacked ambition. For instance, they included the provision of minimally serviced sites on which African households could build a formal structure at their own expense (Goodlad, 1996; Wilkinson, 1998). Some of these sites were so poorly located that they remained empty (Goodlad, 1996). They were referred to as "*toilets in the veld*" (Tomlinson, 1998).

With the fall of apartheid in 1994, the provision of adequate housing became a prominent tool to rebuild South Africa. In fact, housing policies became part of the overarching Reconstruction and Development Program (RDP). The RDP was the master framework of that time, an integrated and coherent program of socio-economic transformation that was designed to enable South Africa to overcome the legacies of apartheid and transition to a racially inclusive democracy. The Ministry in the Office of the President (1995) has eloquently summarized the program, which prominently aimed at reducing inequality, among other objectives.

> "*The [..] RDP is our response to the serious social and economic problems of South Africa: mass poverty, gross inequality, a stagnant economy and enormous backlogs.*"

In the same document, the RDP is set against a context of inequality, poverty and crime.

> "*Wealthy suburbs with excellent infrastructure exist side by side with run down townships, squatter camps and city areas. These are characterized by overcrowding, poverty and unemployment, poor services, inadequate facilities, collapsing infrastructure and general decay. Crime and desperation have resulted.*"

During the first year of implementation, 1994–95, the budget allocated to the RDP was of R2.5 billion out of a R148 billion state budget. For 1995–96, the budget was increased to 5 billion (Ministry in the Office of the President, 1995). Out of the RDP budget, the government planned an allocation of R1.4 billion and R1.8 billion to housing in 1994–95 and 1995–96, respectively (Goodlad, 1996; Tomlinson, 1998). The relative size of the housing allocation speaks to the importance of this component within the wider RDP strategy.[12] The program was also considered a catalyst for the building, steel and furniture sectors, an employer for local communities and an engine for the economy (Ministry in the Office of the President, 1995). At the outset, the goal of the RDP was to provide decent, well-located and affordable housing to all by 2003 (African National Congress, 1994).

Housing for all was reflective of the vision of the African National Congress. To operationalize this vision, the RDP's medium-term ambition was to build 1 million houses in the first 5 years (African National Congress, 1994; Ministry in the Office of the President, 1995). According to the Department of Human Settlements, only 870,629 houses had been built by the beginning of the year 2000, which meant that roughly 87 percent of the target was attained. Although the target was objectively missed and demand far outstripped the housing units on offer, the achievement was nevertheless significant in the eyes of South Africans and internationally. On December 24, 1999, the New York Times ran an article titled "*Small Houses a Big Step for South African Pride*".[13] It underlined the fact that these "*[. . .] houses are the most tangible symbol of the post-apartheid government's commitment to redressing this country's stark inequalities*". The subsidized housing infrastructure that was available at the end of 1999 housed 3 million low-income South Africans in one-room houses at the cost of US $2 billion—the equivalent of approx. R12.3 billion in 1999 (New York Times, 1999). An additional 3 million people remained on the waiting list. A South African male interviewed by the New York Times said that three years of house ownership made him "*feel like a man*", although his life and that of his family still faced a myriad of other problems.

[12]Other important destinations were health, education and infrastructure. Regarding health, the RDP allocated R472.8 and R500 million to the Free Health Care Program in 1994–95 and 1995–96, respectively. To improve education, R100 million were allocated in 1994–95. With the purpose of improving municipal services and infrastructure, the RDP further allocated R830 million over a two-year period starting 1994. Local communities also had access to R250 million for urgent needs in 1994–95. Numbers are sourced from the report of the (Ministry in the Office of the President, 1995).

[13]https:/www.nytimes.com/1999/12/24/world/small-houses-a-big-step-for-south-african-pride.html

The missed five-year target was due to the construction of housing units starting off slowly. Out of the 1994–95 budget allocation, only R42 million were used in 1994–95. Further underspending during the financial year 1995–96 led to a budget of R2.2 billion for 1996–97 (Goodlad, 1996).[14] Progressively, the capacity of the government to deliver did increase. For instance, between 1994 and 2014, 3.7 million houses and serviced sites were provided at the cost of R125 billion[15] (Department of Human Settlements, 2014). By the end of 2017, an additional 0.4 million housing opportunities had been delivered. This was the equivalent of a total of 3 million houses and 1.1 million serviced sites.[16]

The Reconstruction and Development Program has evolved as it encountered difficulties and had to adapt. It was followed by the Growth, Employment and Redistribution Strategy in 1996, the Accelerated and Shared Growth Initiative for South Africa in 2005, the New Growth Path in 2010 and the National Development Plan in 2013 (Adelzadeh, 1996; Gelb, 2006; Naidoo and Maré, 2015). In parallel, the housing dimension of the original Reconstruction and Development Program has also evolved throughout the years, along with the institutions it created and the legislation it inspired. References to RDP have been relatively more persistent in the context of housing policy. Nevertheless, housing schemes, too, have often changed name, along with their strategy or implementation design. Further details on these changes are discussed in Section 6.

In 1994, there were 2.6 million formal housing units in South Africa, 1.7 million shacks on un-serviced sites and 0.6 million shacks on serviced sites. 1.5 million households were roofless (Goodlad, 1996). A quarter of the population did not have access to piped water, and over 40 percent did not have electricity or proper sanitation (Goodlad, 1996). According to the most recent census data, which were collected in 2011, South Africa had 14.4 million households. Of these, 10.6 million lived in adequate housing (74 percent) and 2.5 million lived in an informal dwelling. The remainder lived in traditional structures. To put these numbers into context and facilitate comparisons, note that there were 9 million

[14]R1 was US $0.22 in January 1997. US $1 in 1997 is worth roughly US $1.6 in 2020.

[15]Expressed in 2010 prices. R1 was US $0.15 in December 2010. US $1 in 2010 is worth roughly US $1.19 in 2020. R1 in 2014 was approx. R0.82 in 2010. As a reference, South Africa's GDP in 2014 was R3,800 billion (R3,115 billion in 2010 prices). Statistics South Africa. Accessed December 11, 2020. http://www.statssa.gov.za/?p=4184.

[16]Department of Human Settlements. Housing Delivery Statistics. Accessed December 11, 2020. http://www.dhs.gov.za/sites/default/files/u16/HSDG%20to%20Dec%202017.pdf.

households in South Africa in 1996. Finally, 2018 estimations have put the proportion of households living in a formal dwelling at 81 percent (Statistics South Africa, 2019).

Substantial progress has been registered since 1994. Nevertheless, average improvements hide the fact that some of apartheid's legacies have not been addressed. The RDP has been criticized because of its supply-side approach to housing development and the perpetuation of spatial segregation, as the dwellers of public housing find themselves physically distant from economic opportunities (Wilkinson, 1998). In return, socio-economic spatial segregation breeds crime (Kang, 2016). In a more recent iteration of the housing policy, the government states its committed to "*combating crime, promoting social cohesion and improving quality of life for the poor*" within its broader vision of achieving "*sustainable human settlements and quality housing*" (Department of Human Settlements, 2004).

4 Data and Summary Statistics

4.1 Data

We use three sources of data. First, we rely on census data released by Statistics South Africa. This includes all the currently existing waves, namely 1996, 2001 and 2011. 2011 is the most recently available wave. Second, we obtained crime data for the financial years of 1996–97, 2001–02 and 2011–12 from the Crime Statistics and Research Unit of the South African Police Service (SAPS). The police data includes the universe of crimes that were either reported by the community or recorded as a result of police action. The dataset includes detailed information about the type of crime, including numerous types of violent and property crimes. The SAPS dataset has three dimensions: year, police station and type of crime. In this study, we use references to police districts and police stations interchangeably to define the lowest level at which SAPS aggregates crime indicators. Our third source of data includes the GPS coordinates of government housing projects in the Western Cape Province, their date of registration and their planned or approved size. This dataset was obtained from the Department of Environmental Affairs and Development Planning in the Western Cape, and it was initially published in a technical report (Department of Environmental Affairs and Development Planning, 2014).

We have created a unique panel based on the station-level crime statistics, the 2011 census community profiles and the 10-percent census data for 1996 and 2001. To the best of our knowledge, this is the first time that the police data is used for this type of research.[17]

We constructed the dataset as follows. We start with the 2011 census which was compiled at the lowest possible level of aggregation, roughly 85,000 small area layers that contain the universe of households and individuals with aggregated characteristics. Since we have the coordinates of the centroids of these small area layers, we assign them to the polygons of the administrative units that stand as the common denominator between the 1996 and 2001 waves. South Africa's 354 former Magisterial Districts (MDs) fulfil this role. MD-level aggregation thus allows us to append the 1996, 2001 and 2011 census years into a panel of MD-year observations.[18]

Then, we merge the census panel with the SAPS panel. SAPS data was provided at the level of police stations. There are roughly 1,130 police stations, with their number changing only slightly over time. Some police districts have an irregular shape whose centroid can easily fall outside district boundaries. This problem can be solved by generating a random point within the boundaries of police districts instead of using the centroid for merger. In 35 percent of cases, a police station shares substantial surface with more than one magisterial district. In order to address this issue, we adopt the following procedure. We generate multiple random points per police station to better distribute the incidence of crime between the magisterial districts feeding the crime statistics of the police station in question. For stations that cross the borders of multiple MDs, we count the points that fall in each district and assign crimes proportionally to each concerned MD.[19] Lastly, we merge the housing information point-to-polygon with the MD-year spatial panel, where the points are the project GPS coordinates and the polygons are the MDs.

[17]The SAPS data has been used in the literature in cross-sectional analyses, e.g., Demombynes and Özler (2005) and Bhorat et al. (2017).

[18]While the use of weights for the 2011 data was not necessary because the database includes the universe of households and individuals, we do use weight variables to compute our indicators of interest at the level of MDs in 1996 and 2001.

[19]This assumes that crimes are homogeneously distributed within the boundaries of any police station. We believe this assumption is unlikely to have significant consequences as the size of police districts is proportional to the size of their population and cities have several police districts. If cities were part of larger police districts, crimes would be concentrated in and around the city, while the outside territory would be less afflicted. Police stations with large territories are usually sparsely populated. See Appendix A.4 for a presentation of the merger between MDs and stations.

The result is a panel of 354 MDs observed 3 times, in 1996, 2001 and 2011. This represents a total of 1,062 observations. Census data is representative at the level of MDs, and we use this data to compute inequality indices and average socio-economic characteristics. Each MD is populated with crime data, which is sourced from the universe of crime incidents reported to police stations across the country. Regarding the government housing data, the sample is limited to the universe of housing projects in the Western Cape Province. The Western Cape sample has 42 MDs observed 3 times, which amounts to 126 observations.

This dataset is the first to allow the analysis of South African census and police information in a panel setup. It is also the first dataset to include project information on government housing for the Western Cape Province. Franklin (2020) also uses project-level data, but his focus is limited to metropolitan Cape Town. Finally, this is a spatial panel, which allows us to grasp the magnitude of crime spillover effects between administrative units and model the spatial interdependence of MD-level unobservables.

4.2 Measurement of Crime and Inequality

The data we use consists of crimes reported to the police. As acknowledged in the literature, objective measures of crime have several advantages with respect to the self-reported victimization rates. On the other hand, failing to include incidents that are not reported to the police is considered less consequential (Pudney et al., 2000; Rufrancos et al., 2013). We measure crime as the natural logarithm of crime incidence per 100,000 people to normalize the distribution of the variable.

In order to construct the housing inequality index, we rely on six variables that are indicative of the quality of the housing infrastructure: type of dwelling (permanent, traditional or informal), access to water (tap water inside the building, in the yard, on a community stand or no access to piped water), type of toilet facilities (flush/chemical toilet, pit latrine, bucket latrine or no toilet facilities), type of fuel for cooking and heating (electricity/solar/gas, paraffin/coal or wood/animal dung), and type of fuel for lighting (electricity/solar, paraffin/gas or candles). These are the defining aspects of adequate housing.[20]

[20]Regarding the measurement of housing inequality in the general literature, some researchers rely on variables such as surface size, number of rooms or selling value to measure housing inequality (Tan

These are also the housing dimensions that the intervention we evaluate, the subsidized housing program, has targeted in terms of outcomes—whether directly (dwelling type, access to water, type of toilet facilities and electricity) or indirectly (type fuel for cooking and heating via the availability of electricity and the ability to safely store and accumulate assets). We start by computing inequality in terms of each of these six variables. Then, based on the standardized values of the inequality measures, we use factor analysis to reduce the number of variables and summarize their information into one index, i.e., the latent variable that describes inequality in terms of housing conditions. Appendix A.1 shows the factor analysis. There is only one factor with an eigenvalue greater than 1, and the Kaiser-Meyer-Olkin measure of sampling adequacy stands at 0.83. To demonstrate the robustness of our results, we show in the appendix that our findings hold for other combinations of the variables that serve the computation of the inequality index.

$$Inequality = -\sum_{i=1}^{K} \left[p_i \times ln\Big(\sum_{j=1}^{i} p_j \Big) \right] \tag{1}$$

To accommodate the fact that the variables describing housing conditions are sets of ordered categories, we rely on Cowell and Flachaire (2017) to compute inequality. See Equation 1, where K stands for the number of categories, which are ordered starting from the best one and moving down to the worst. That is, $j = 1$ corresponds to houses made from permanent materials, the availability of tap water inside the household's dwelling, the availability of flush or chemical toilets, and the use of electricity or solar energy for lighting, cooking and heating purposes. The larger the number of people who move into the top category, the greater will be the decline in inequality. p_i is the probability of an individual belonging to category $j = i$.

et al., 2016; Tunstall, 2015). Others take a multidimensional approach to quantifying access to adequate housing, which is sometimes confounded with an asset index. These studies use variables that describe the quality of wall, floor or roof materials, the presence of basic amenities, asset ownership, access to roads, schools, hospitals, etc. (Filmer and Pritchett, 2001; McKenzie, 2005; Van Phan and O'Brien, 2019).

4.3 Summary Statistics

Table 1 reports the summary statistics that describe the 1,062 MD-year observations in the analytical sample.[21] Table 1 shows that crime incidence has increased slightly between 1996 and 2001, and it has thereafter decreased sharply. Murders have been the exception. They have decreased across all waves. The inequality index points to a gentle decrease between 1996 and 2001, and a sharp decrease between 2001 and 2011. The percentage of unemployed and discouraged individuals has followed the same pattern. Moreover, average education has improved significantly between 1996 and 2011, and so have most variables proxying for household socio-economic status. Lastly, there is also an indication of post-apartheid rearrangements of the population, as the percentage of people on the move was particularly large in 1996 and 2001.

[Table 1: Descriptive Statistics. Insert here.]

Figures 1a and 1b present the raw crime categories that are reported by the South African Police Service for violent and property crimes, respectively.[22] These figures include the analytical sample, 1996, 2001 and 2011, and the out-of-sample year of 2019 to give an indication of the current situation. Figures 1a and 1b confirm the insights of Table 1, i.e., crime incidence has first increased between 1996 and 2001 and then decreased. Exceptions do exist. For instance, the incidence of rapes and thefts out of vehicles has generally decreased between 1996 and 2019, although the decrease between 1996 and 2001 was less pronounced. Moreover, murders have decreased between 1996 and 2011, but then exhibited an uptick in 2019.

[Figure 1a: Violent Crimes. Insert here.]

[Figure 1b: Property Crimes. Insert here.]

Figures 1a and 1b also motivate our choice of dependent variables. First, we see that aggravated assaults are the most commonly reported type of violent crime. Moreover, as

[21] In computing these summary statistics, MDs are assigned the same weight regardless of their population or surface.

[22] Figure 1a would have been the universe of violent crimes; however, due to the imperfect overlap between crime categories across the years, we had to drop some sexual offences. As far as reporting to the police is regarded, the magnitude of these sexual offences is small. Therefore, their omission does not impact the message of Figure 1a. Figure 1b presents the universe of property crimes.

the literature shows that murders are less likely to suffer from misreporting, we decided to include them in our analysis. Furthermore, we also explore the evolution of rapes because crimes against women have been at the forefront of debates in South Africa. Additionally, we also focus on the two most reported types of property offences, which consist of burglaries at residential places and thefts out of vehicles. These are also the crime categories that are most often analyzed in the literature (Kelly, 2000; Lochner and Moretti, 2004; Demombynes and Özler, 2005; Kang, 2016).

[Figure 2: Spatial Distribution of Variables. Insert here.]

Finally, Figure 2 shows the spatial distribution of crime and housing inequality across South Africa's MDs and averaged over the three waves of data. We see that violent crimes cluster in the Western, Northern and Eastern Cape Provinces, while property crimes are predominant in and around metropolitan areas. Finally, inequality shows a spatial pattern whereby higher values cluster in the Eastern half of the country, particularly in and around the areas which were designated by the apartheid regime for occupation by black populations to serve segregationist agendas.

The summary statistics presented in this section suggest a positive relationship between crime and housing inequality. Inequality has only slightly improved between 1996 and 2001, while it has registered a substantial decrease between 2001 and 2011. In parallel, crime has followed a similar path. Between 1996 and 2001, progress was minimal. Some types of crime have even registered an increase in their incidence. Starting from 2001, however, crime incidence has declined. These trends are supportive of our hypothesis, per which improvements in inequality may help reduce the incidence of crime. We explore this link in the following sections by conducting a spatial fixed effects analysis. Moreover, we evaluate the impact of a large-scale housing program on inequality and crime.

5 Empirical Analysis

5.1 Housing Inequality and Crime

In order to estimate the relationship between housing inequality and crime, we take advantage of variation over time and across space by using a balanced panel of magisterial

districts. We begin our estimations with a fixed effects model as presented in Equation 2:

$$C_{nt} = \alpha_n + \lambda_t \iota_n + \beta H_{nt} + X_{nt}\gamma + \epsilon_{nt} \tag{2}$$

$C_{nt} = (C_{1t}, C_{2t}, \ldots, C_{Nt})^T$ is the natural log of crime incidence per 100,000 people, where n represents the magisterial district and t represents the time period. As discussed above, we have $N = 354$ magisterial districts and $T = 3$ waves of data, 1996, 2001 and 2011. H_{nt} is the housing inequality index. Equation 2 includes both the district fixed effects α and the time fixed effect λ.[23] X_{nt} includes covariates such as time-varying individual and household characteristics (averaged at the magisterial district level) as well as population density, as presented in Table 1.

[Table 2: Fixed Effects Estimates. Insert here.]

Table 2 shows the coefficient estimates deriving from the fixed effects model. We estimate the model separately for different types of violent and property crimes. The results show a positive association between housing inequality and crime rates. This is true for all types of crimes, with the exception of murders and residential burglaries, where we do not find a statistically significant coefficient. Controlling for a large set of confounding factors, Table 2 shows that a standard deviation increase in the housing inequality index is associated with an approximate increase of 0.108 and 0.085 log points, i.e., 11 and 9 percent, in overall violent and property crimes, respectively. When looking at specific types of crimes, we notice that thefts out of vehicles appear to be particularly sensitive to housing inequality, as the coefficient reaches 0.449 log points. Table 2 also reports the coefficient estimates for some of the control variables included in the model. In particular, we note a generally negative correlation between average education and crime.

As a robustness check, we also use a non-linear specification to account for the fact that the distribution of the untransformed crime variables resembles a Poisson. The estimated coefficients are reported in Appendix A.3. The coefficients on housing inequality are very similar in the two specifications.

[23] τ is a vector of 1s.

5.2 Accounting for Spillover Effects

The estimation above does not take into account the potential spillover effects across magisterial districts. In order to measure spillover effects, we can use a spatial model. This amounts to including a spatial lag on the dependent variable as follows:

$$C_{nt} = \alpha_n + \lambda_t \iota_n + \rho W_n C_{nt} + \beta H_{nt} + X_{nt}\gamma + \eta_{nt} \tag{3}$$

where $\eta_{nt} = \phi M_n \eta_{nt} + \varepsilon_{nt}$, and W and M are square matrices that describe the spatial dependency between magisterial districts. W applies the same positive weight for contiguous spatial units and a zero weight for all other units, while M is the inverse distance weighting matrix. ρ and ϕ are scalars.[24]

The specification above implies that any change to an explanatory variable in a given magisterial district can affect the dependent variable in that district's neighbors via increases in own crime, which spills into other districts provided that ρ is different from zero. This allows us to estimate a spatial autoregressive combined (SAC) model with individual and time fixed effects, as presented in Equation 4 (LeSage and Pace, 2009; Lee and Yu, 2010).

$$C_{nt} = (I_n - \rho W_n)^{-1}(\alpha_n + \lambda_t \iota_n + \beta H_{nt} + X_{nt}\gamma) + (I_n - \rho W_n)^{-1}(I_n - \phi M_n)^{-1}\varepsilon_{nt} \tag{4}$$

The defining characteristics of a SAC model are the inclusion of a spatial lag on the dependent variable and the spatial interdependence of the disturbance terms. The SAC specification controls not only for time-invariant omitted variables, but also controls (at least partially) for time-varying omitted variables or unobserved latent influences that explain the spatial clustering of the dependent variable (LeSage and Pace, 2009). It is well established that crime incidence exhibits spatial dependency, e.g., crime hotspots

[24]We maintain that individuals are unlikely to travel across multiple districts to perpetrate crimes. Thus, the W matrix is appropriate. However, we are less restrictive about the spatially correlated unobservables, which we assume can be similar beyond first-order neighbor, hence the M matrix. If the scalars are not statistically different from zero, then the use of spatial lags is not necessary for the dependent variable or the error term, respectively.

(Chainey et al., 2008; Ratcliffe, 2010). The use of spatial models is in fact relatively common in studies of crime as they help mitigate the omitted variables bias.

It is important to note that the spatial dependency of the district observations makes the estimated coefficients of interest not as easily interpretable, as the derivative of the dependent variable with respect to the explanatory variables is no longer simply β or γ.[25] Instead, average direct and total effects can be computed (LeSage and Pace, 2009).

For a given magisterial district n, the average direct impact measures the effect of a change in X_n on crime in district n inclusive of feedback loops, whereby observation n affects its neighbor, and these neighbor will, in return, loop back and affect n.[26] The average total impact for district n includes the own derivative (direct impact) and all of the cross derivatives (the indirect impact or spillover effects) (LeSage and Pace, 2009).

While spillover effects motivate the inclusion of spatial lags in the dependent variable, the spatial lags on the error term are motivated by the assumption of spatial heterogeneity (LeSage and Pace, 2009). Thus, in addition to the individual heterogeneity modelled by the fixed effects framework, we are now allowing some of the unobserved characteristics of any given district to be similar to those of its neighbors. The intensity of this similarity is decreasing the further away districts are from each other. Importantly, we assume that these unobserved characteristics are unrelated to the observed covariates.[27]

[Table 3: Spatial Autoregressive Combined, Fixed Effects Estimates. Insert here.]

Table 3 shows the results from estimating Equation 4. Spillover effects, as estimated by ρ, appear to be present in all cases. In most cases, spillover effects from neighboring districts are roughly one third of a district's own crime incidence. ϕ is also generally significant, which points to the existence of spatial heterogeneity in the error terms. If the SAC model identifies the data generating process correctly, then the estimates in Table 3 will suffer less from omitted variables compared to the simple fixed effects model. This allows us to

[25] This is because the derivative of C_{nt} with respect to X^k_{mt}, where m can be different from n, is potentially non-zero. k denotes the kth variable in the X matrix.

[26] District n will thus suffer from the crime it fuels in neighbouring districts due to an increase in own crime incidence.

[27] We also assume that spillover effects at the borders between South Africa and its neighbouring countries are negligible. Since these are national borders, with strict controls, it seems a plausible assumption.

get as close as possible (given the available data) to a causal interpretation of the effects of housing inequality on crime rates.

For violent crimes, the estimated direct effect of housing inequality is 0.085 log points (8.9 percent), while the total effect, which accounts for spillover effects from neighboring districts, is about 0.109 log points. The direct impact of housing inequality on aggravated assaults and rape is 0.094 and 0.124 log points, respectively. In the same order, the total impacts are 0.124 and 0.135 log points. Lastly, the coefficient on education is negative across the board—districts that are more educated have less crime. The direct impact of a one-year increase in average education varies between a reduction of 0.130 log points in the case of rapes and 0.204 for murders.

Moving to property crimes, we note that spillover effects are slightly smaller than those for violent crimes, although there is one notable exception: thefts out of vehicles. Moreover, compared to the fixed effects estimates, the spatial estimates display a more consistent pattern across types of property crime. The impact of housing inequality on residential burglaries is positive and significant. The direct and total effects are 0.086 and 0.105 log points, respectively. Similarly, the direct impact of an increase of one standard deviation in housing inequality triggers a 0.099 log points increase in all property crimes—the equivalent of 10.4 percent. In the case of thefts out of vehicles, the direct impact is 0.345 log points, i.e., 41 percent. The total impacts are 0.124 and 0.522 log points, respectively.[28] Education is also negatively related to property crimes across the board. Appendix A.3 shows that the results in Table 3 are robust to the choice of variables that are used to build the housing inequality index as well as to the use of a principal component analysis instead of factor analysis.[29]

In summary, the empirical results in this section show that higher inequality in terms of housing conditions is associated with higher crime, whether violent or property related. While these are not estimations of the causal impact of housing inequality on crime, they do account for spillover effects across space as well as time and magisterial district fixed

[28]The relatively higher responsiveness of thefts out of vehicles to inequality may be explained by this crime's more opportunistic nature and ease of perpetration.

[29]In the order in which the indices are presented in Appendix A.3, the Kaiser-Meyer-Olkin measures of sampling adequacy are 0.83, 0.83, 0.76 and 0.68. Each analysis recommends only one factor or principal component. All factor loadings are positive.

effects. This finding contributes to the literature on the relationship between inequality and crime by providing first evidence of this unexplored dimension of inequality, i.e., housing conditions. This is of high relevance for contexts where, like South Africa, access to adequate housing is limited and very unequally distributed.

6 Subsidized Housing, Inequality and Crime

Building on the observation of a positive relationship between housing inequality and crime, as documented in the previous section, we examine here the implications of a large, subsidized housing program for both inequality and crime.

In democratic South Africa, the purpose of government housing has been to supply low-income citizens with fully serviced housing units. In the White Paper on Reconstruction and Development (Parliament of the Republic of South Africa, 1994), the post-apartheid government confirmed its commitment to addressing the inequalities inherited from the previous regime. The same document defines the Reconstruction and Development Program (RDP) as an overarching policy framework to promote long-term socio-economic progress, which includes meeting the housing needs of all South Africans. In this context, the government introduced several housing subsidies schemes. These subsidies have often changed nature and name since 1994.

At the outset, there were four schemes: project-linked, individual, consolidation and institutional subsidies (Department of Housing, 1997). Among these, the project-linked subsidy scheme has been the most prevalent. As of 2010, according to the database provided by the Western Cape Department of Environmental Affairs and Development Planning (2014), 72 percent of all government subsidy schemes were project-linked. As the purpose of different subsidies can be diverse, we focus only on project-linked subsidies in our empirical analysis. This is because we know with certainty that project-linked subsidies were aimed to provide fully serviced housing units to people who had not benefited from other subsidy schemes before the RDP policy was put in place.[30]

[30]Project-linked subsidies were targeted to individuals who did not benefit from any previous housing subsidies. The final beneficiaries were assigned to housing units based on a waiting list. A serviced site is defined by the following minimum requirements: (i) a piped water supply with at least one stand pipe per 25 households; (ii) a properly functioning sanitation system for each household; and (iii) suitable access to each property and a storm water drainage system (Department of Human Settlements, 2009).

Initially, project-linked subsidies only consisted of projects implemented by external developers whose proposals were approved by the government. Developers were required to meet specific milestones to draw down on the contract value. This procedure explains why these projects were called "*Progress Payment Housing Projects*". Housing beneficiaries were granted subsidies as one-off grants based on their level of income. For the poorest, the subsidy would cover the cost of the house entirely, with the fully subsidized houses colloquially referred to as "*RDP houses*" (Tomlinson, 1999).

In 1998, a new subsidy scheme was introduced: the People's Housing Process (PHP). Under this scheme, beneficiaries would build or manage the construction of their own houses (Public Service Commission, 2003). In parallel, the scheme of the Progress Payment Housing Projects underwent important changes from 2001, with the provincial and municipal governments progressively taking over the role of developers (Department of Human Settlements, 2016). In 2007, the existing schemes were abolished (Gordon et al., 2011) and further reforms followed. From 2009, the provision of government housing was done under the new Integrated Residential Development Program (IRDP).

To simplify the discussion, we will group the IRDP and its predecessor (the Progress Payment Housing Projects) under the same label "*IRDP*", while the PHP projects will remain a separate category. When we reference government housing, we mean projects under both the IRDP and PHP labels. Regardless of their name, the objective of these schemes has been the same: provide low-income South Africans with fully serviced housing units. Against a backdrop of large informal settlements, government houses are made from permanent materials, endowed with access to tap water, flush toilet facilities and electricity. Norms and standards for the construction of government housing were issued and revised over time (Tissington, 2011).

6.1 Government Housing and Inequality

In this section, we investigate whether the introduction and expansion of government subsidized housing (as defined above) affected housing inequality. Due to data availability, the empirical analysis that follows will be limited to one province of South Africa,

the Western Cape.[31] We rely on a list of housing projects provided by the provincial Department of Environmental Affairs and Development Planning. The list is comprised of the geo-referenced location of housing projects, the year in which they were registered by the provincial Housing (Development) Board and their approved size.[32] This dataset covers projects that were registered between 1994 and 2009. We then compute a yearly average rate of housing execution per project between 1995 and 2008. We use data from Franklin (2020) to obtain the execution rate in Cape Town over this period and apply the same execution rates to the entire Western Cape Province. This gives us an estimated distribution of housing units across the provincial territory over the period of interest.

In order to link the housing data to the census years (1996, 2001 and 2011), our analysis relies on the stock of housing units at the beginning of 1995, 2000 and 2010. The mean stock of housing projects has increased from 0 to 2.08 thousand units per 100,000 people between 1995 and 2000, and to an average of 4.22 thousand units per 100,000 people at the beginning of 2010. Stock numbers include the units delivered by IRDP and PHP. Figure 3 shows the estimated distribution of housing units across the magisterial districts of the Western Cape over the period of interest.

[31] This province includes one of the largest metropolitan areas in the country, Cape Town, and represents 11 and 12 percent of the country's surface and population, respectively.

[32] For 78 of 558 projects, we must rely on the planned as opposed to approved size due missing information.

[Figure 3: Stock of Government Housing in the Western Cape Province. Insert here.]

The data we use in the analysis implies three main caveats for the evaluation of the subsidy program. First, as we limit the focus to the Western Cape Province and have 42 magisterial districts observed in three different years, the resulting small sample will considerably reduce the precision of our estimates. Second, the use of imputed rather than exact stocks of government housing introduces measurement error in the key independent variable and, as a consequence, a risk of attenuation bias under classical assumptions. Third, since we cannot assume the absence of crime spillover effects between districts at either side of provincial borders, we can no longer use the spatial model in our regression analysis and thus revert to the fixed effects estimation.

[Table 4: Government Housing and Inequality. Insert here.]

The benefits of housing projects may take time to materialize. Therefore, we estimate separate models for the housing stocks at different lags. Table 4 reports the coefficient estimates from regressing the housing inequality index on the lagged stock ($t = 1, 2, 3$ years) of subsidized units. It shows that an increase of 1,000 units per 100,000 people (roughly 0.45 of a standard deviation) is associated to a decrease in the housing inequality index between 0.114 and 0.151 standard deviations (columns 1, 3, and 5). When we include controls for the separate components of the inequality index (as we did in the previous section), the estimated coefficients fall to values between -0.04 and -0.05. We suggest that the magnitude of the true effect of the housing projects on inequality lies between the values estimated in the two alternative specifications, as some of the variation in the variables defining the index may not be related to government subsidies.

6.2 Government Housing and Crime

In this section, we estimate the effect of the housing projects on crime rates net of district and time fixed effects, as well as controlling for a variety of observable variables that are related to the development of government housing, e.g., prevalence of informal housing, limited access to public amenities, etc.[33] Table 5a and 5b report the estimated effects

[33]Since housing projects may be more likely to be developed in areas of increased crime over time, it is possible that our specification underestimates the impact of government housing on crime.

on violent and property crimes, respectively. Table 5a shows that government housing is negatively related to violent crimes.[34] An increase of 1,000 housing units per 100,000 people is associated to a decrease of 0.053 to 0.062 log points in the rate of overall violent crimes (columns 2, 4, and 6). This is the equivalent of a 5–6 percent decrease. The coefficients are large and greater in magnitude for higher lags of the housing stock. This provides suggestive evidence that it may take time for the benefits of the housing subsidies to materialize. The results in Table 5a also show that when we include both housing inequality and the government housing stocks in the estimation (column 3, 5, and 7), the coefficients on the stock of housing projects decrease in magnitude. While the magnitude change is not significant, the coefficients lose significance. As discussed above, this may be due to the lower precision of the estimates given the much smaller sample size for the Western Cape Province. However, this finding is consistent with our hypothesis that improvements in the housing stock may affect crime (partially) through a decrease in housing inequality. This is also visible when comparing the effect of housing inequality on crime with and without controlling for subsidized housing, as shown by the estimates in the top row of Table 5a—column (1) versus columns (3), (5) and (7).[35]

[Table 5a: Government Housing and Violent Crimes. Insert here.]

[Table 5b: Government Housing and Property Crimes. Insert here.]

In contrast to violent crimes, we do not find a significant link between the IRDP-PHP projects and property crimes (Table 5b). In addition, the coefficients on housing inequality do not vary as much between column (1) and the other columns (top row of Table 5b).

6.3 Discussion

As discussed in the Introduction, strands of the economic and sociological literatures suggest that social protection interventions can help limit strain, either directly through the achievement of positively valued goals or indirectly via reduced inequality. This

[34]To increase power, we pool all violent crimes, but note that the effect is strongest on aggravated assaults.

[35]We can reject the null of coefficient equality between column (1) and columns (3) and (5) at the 10 percent level and we just about fail to reject the null for specification (7), as the p-value is 0.11.

literature also suggests that reduced inequality and strain are associated with lower levels of crime, particularly violent crimes (Shaw and McKay, 1942; Agnew, 1992,9, 2001).

The empirical results presented in this section are consistent with this literature. In particular, we add evidence relating to an understudied policy intervention: housing subsidies. We showed that government housing is associated to lower housing inequality (Table 4) and suggested that this lower inequality helps mitigate crime (Table 5a), consistent with strain theory. Meth and Charlton (2017) report that male beneficiaries of government housing in South Africa were enabled to achieve their aspirations, which are not limited to tangible assets, i.e., a house, but extend to other dimensions, such as masculinity, social status, self-esteem and respect, all of which are correlated with the individual's transitioning from the state of informal dweller to that of homeowner. Since men are the main perpetrators of violent crimes (Centre for the Study of Violence and Reconciliation, 2007), their capacity to achieve standard goals or socially constructed aspirations may mitigate collective strain, which can reduce frustrations and limit impulsive, anger-led outbursts of violence. Strain theory may also help explain the observed differential effects of subsidized housing on violent crimes versus property crimes (Table 5a versus Table 5b). In contrast to violent crimes, it is less likely that reductions in strain, anger and frustrations will play a key role in the mitigation of financially motivated crimes. Anger is central in strain theory's explanation of crime (Agnew, 2001), and there is evidence from criminology that anger chiefly impacts violent crimes (Aseltine et al., 2000; Mazerolle et al., 2003; Piquero and Sealock, 2000).

While government housing can affect crime indirectly via reduced inequality and strain, we also acknowledge that direct links are possible. For instance, a dwelling made from permanent materials provides enhanced protection against intruders, and access to in-house tap water and toilet facilities reduces the probability of victimization, as the need to leave the household to fetch water or use shared toilet facilities is eliminated. However, the existing theoretical literature as well as the results presented in this section lead us to suggest that inequality plays a role in explaining the link between government housing and crime.

6.4 Falsification Test

To probe the plausibility of the empirical mechanism we suggested above, we explore here a different policy intervention whose timing overlapped with that of the housing subsidies. This provides us with a simple falsification test. The policy intervention is the old-age pension, which was introduced by the Social Assistance Act of 1992. Both the housing and pension schemes have been implemented in post-apartheid South Africa with an explicit attempt to mend the inequalities created by the racialized policies of the previous regime.

Pension eligibility is based on age and income. In 1996 and 2001, women aged 60 or above and men aged 65 or above were eligible to receive the pension if they were below a specified income threshold. In 2008, the law was amended to equalize age eligibility across genders. In 2011, both women and men were eligible to receive pensions as of their 60th birthday conditional on meeting the income criterion. The South African old-age pension scheme has been studied extensively. Studies in the literature have shown that the program had a variety of effects on the most disadvantaged groups in the population.[36] Black and Colored populations have been the main beneficiaries of the policy, with few Whites earning below the income threshold (Case and Deaton, 1998). That is, similar to subsidized housing, the old-age pension has reached a large number of low-income beneficiaries against the background of apartheid-inherited socio-economic inequalities.

We obtain variation in the intensity of the policy across districts by using the percentage of age-eligible individuals of different population groups.[37] The results in Table 6 show that the proportion of people eligible for the pension does not have a significant effect on the housing inequality index.

[Table 6: Old-Age Pension Eligibility and Housing Inequality. Insert here.]

[36] Duflo (2000) and Duflo (2003) show a positive effect on anthropometric indicators for girls. Other studies have estimated the impact on the labor supply of both the elderly and their working-age household co-residents (Ranchhod, 2006; Ardington et al., 2009; Abel, 2019b). Finally, there is also evidence that the pension scheme had an effect on decision-making processes within households and household composition (Hamoudi and Thomas, 2014; Ambler, 2016).

[37] In Tables 6 and 7, we use the district-level percentage of age-eligible African Blacks and Colored. On average, approximately 5 percent of individuals in a magisterial district are eligible for the pension. We also run sensitivity regressions using (i) African Blacks, Coloreds and Asians, (ii) African Blacks only, (iii) Coloreds only, (iv) all population groups. The implications of the test remain unchanged.

[Table 7: Old-Age Pension Eligibility and Crime. Insert here.]

In addition, we show in Table 7 that our proxy for pension eligibility does not show any evidence of a negative effect on crime either. If anything, the point estimate suggests a positive correlation between the prevalence of pension-eligible individuals and crime (whether violent or property-related). Overall, this simple falsification test supports our interpretation of the main results in the paper. That is, the negative relationship between subsidized housing projects and crime is not spurious and is suggestive of an inequality-mediated effect of housing subsidies so far understudied in the literature.

7 Conclusions

Our paper makes a contribution to the literature on the link between inequality and crime. While most existing studies focus on inequality in income or consumption, we explore disparities in terms of housing conditions. We show that variations in housing conditions in a highly unequal, emerging economy explain a significant share of most types of crime. An increase of one standard deviation in a housing inequality index explains around 12 percent of crime increases.

Different dimensions of inequality may matter differently in developing countries as compared to high-income economies (Demombynes and Özler, 2005; Enamorado et al., 2016). Our findings expand the limited available evidence for developing countries. In particular, we collect and merge data from different sources in South Africa, which allows us to account for key confounding factors as well as to quantify the magnitude of spillover effects, which amount to 25–35 percent of a district's own crime levels.

Crime is a prominent issue in South Africa. Successive governments since the democratic transition have tried different policy measures (both direct and indirect) to reduce it. We show that a housing program aimed at fast-tracking socio-economic development may have had the indirect effect of mitigating violent crimes by partially reducing inequality. As argued by Kelly (2000), different economic and sociological theories may explain different types of crime. In particular, property crimes may be best explained by cost-benefit analyses, while violent crimes are better understood from a strain or social disorganization

perspective. We argue that strain theory can help interpret our results on the relationship between subsidized housing, housing inequality and the incidence of violent crimes. We suggest that housing subsidies may reduce violent crimes by alleviating the levels of strain that have been conducive to violence.

Finally, our study contributes to the wider literature investigating the relationship between social protection policies, e.g., educational policies, labor market interventions, government housing and crime. Most of these programs are meant to lift people out of poverty and ensure a more equal distribution of the socio-economic means and opportunities that are likely to be most effective at reducing crime. It may be superfluous to note that these types of policies are not incompatible with actions aimed at improving the criminal justice and law enforcement systems. In fact, it is reasonable to assume that a larger set of complementary policies may be necessary to obtain long-lasting reductions in crime rates.

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Tables and Figures

Table 1: Descriptive Statistics

	Per Year, Across MDs			Across Years and MDs			
	Mean values			Mean	σ	Min	Max
	1996	2001	2011	1996–2011			
Crimes declared at police stations							
All violent crimes per 100,000 people	2,528	2,816	1,700	2,348	1,882	296	28,428
Aggravated assaults per 100,000 people	828	896	548	758	640	74	6,400
Murders per 100,000 people	71	52	35	53	40	3	395
Rapes per 100,000 people	140	141	116	132	86	0	1,429
All property crimes per 100,000 people	1,694	1,796	1,066	1,519	1,384	117	16,812
Thefts out of vehicles per 100,000 people	321	350	174	282	500	0	5,064
Residential burglaries per 100,000 people	639	748	503	630	573	42	8,426
Factor analysis of Cowell-Flachaire measures							
Inequality index housing conditions	0.35	0.25	-0.60	0.00	0.96	-2.49	1.76
Inequality index housing conditions, standardized	0.36	0.26	-0.62	0.00	1.00	-2.61	1.84
MD-averaged individual characteristics							
Average years of education	5.55	5.92	7.18	6.22	1.34	2.21	10.00
Percentage Black	71.43	73.93	75.47	73.61	31.26	0.00	100.00
Percentage Colored	16.81	16.35	15.69	16.29	26.75	0.00	91.77
Percentage Asian	1.06	0.97	1.06	1.03	4.95	0.00	90.75
Percentage unemployed	17.96	22.39	14.83	18.39	6.61	2.68	44.70
Percentage discouraged	4.84	12.15	6.58	7.86	5.06	0.63	29.94
Percentage moved in past 10 years	35.77	37.93	15.41	29.70	20.06	0.99	95.41
MD-averaged household characteristics							
Average household size	4.15	3.94	3.37	3.82	0.69	2.25	6.52
Average number rooms per household	3.75	3.83	4.09	3.89	0.50	2.11	5.54
Percentage living informal dwelling	13.24	11.66	8.74	11.21	11.02	0.00	67.49
Percentage access to water on premises	58.55	59.78	71.65	63.33	28.67	0.77	98.79
Percentage access flush or chemical toilet	39.70	44.87	57.36	47.31	30.36	0.19	98.09
Percentage access to electricity	53.52	66.35	83.01	67.63	23.90	1.04	99.01
Percentage authority removes rubbish	47.04	49.09	54.84	50.32	30.91	0.04	99.21
Percentage owns dwelling of residence	72.62	53.71	54.47	60.27	16.55	7.68	98.53
MD specific							
Density (1,000 people per km^2)	0.24	0.25	0.30	0.27	0.95	0.00	9.19
Sample size	354	354	354	1,062	1,062	1,062	1,062

Average education is for individuals aged 5 or above. The inequality index is based on a factor analysis of 6 variables denoting inequality in terms of housing conditions: type of dwelling, access to piped water, type of toilet facilities and type of fuel for lighting, cooking and heating. Whites are the reference population group. Percentage unemployed counts individuals who do not have a job and are looking for employment. Percentage discouraged includes the unemployed who are not looking for a job and those individuals who choose not to work. The denominator consists of the population aged between 15 and 64 years old, included.

Table 2: Fixed Effects Estimates

	VIOLENT CRIMES Log of crime per 100,000 people				**PROPERTY CRIMES Log of crime per 100,000 people**		
	All Violent Crimes	**Aggravated Assaults**	**Murders**	**Rapes**	**All Property Crimes**	**Thefts out of Vehicles**	**Residential Burglaries**
Explanatory variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Housing inequality index	0.108***	0.129***	-0.064	0.131***	0.085***	0.449***	0.059
	(0.030)	(0.033)	(0.050)	(0.045)	(0.032)	(0.076)	(0.037)
Avg. education (years)	-0.138	-0.108	-0.191*	-0.115	-0.244**	-0.503***	-0.235**
	(0.098)	(0.092)	(0.104)	(0.095)	(0.102)	(0.123)	(0.105)
Perc. unemployed	-0.004	-0.005	-0.002	-0.005	-0.002	-0.017***	-0.001
	(0.003)	(0.003)	(0.005)	(0.005)	(0.003)	(0.006)	(0.004)
Perc. discouraged	-0.006	0.001	-0.020***	-0.004	-0.009	-0.009	-0.008
	(0.005)	(0.006)	(0.008)	(0.006)	(0.005)	(0.010)	(0.006)
Within R^2	0.52	0.47	0.47	0.25	0.54	0.44	0.38
F	44	32	34	13	52	39	32
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1,062	1,062	1,062	1,062	1,062	1,062	1,062

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Two-way fixed effects estimates. Robust errors are reported in parenthesis. The inequality index is based on a factor analysis of inequality in terms of water access, type of dwelling, type of toilet and type of fuel/energy for lighting, heating and cooking. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage Black, Colored and Asian) and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of dwelling owners.

Table 3: Spatial Autoregressive Combined, Fixed Effects Estimates

	VIOLENT CRIMES Log of crime per 100,000 people								**PROPERTY CRIMES Log of crime per 100,000 people**					
	All Violent Crimes		**Aggravated Assaults**		**Murders**		**Rapes**		**All Property Crimes**		**Thefts out of Vehicles**		**Residential Burglaries**	
	(1)		(2)		(3)		(4)		(5)		(6)		(7)	
Explanatory variables	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Housing inequality index	0.085***	0.109***	0.094***	0.124***	-0.030	-0.038	0.124***	0.135***	0.099***	0.124***	0.345***	0.522***	0.086**	0.105**
	(0.029)	(0.037)	(0.031)	(0.041)	(0.044)	(0.055)	(0.037)	(0.040)	(0.030)	(0.038)	(0.058)	(0.093)	(0.035)	(0.043)
Avg. education (years)	-0.181***	-0.233***	-0.153***	-0.201***	-0.204***	-0.256***	-0.130**	-0.142**	-0.250***	-0.311***	-0.448***	-0.677***	-0.231***	-0.281***
	(0.047)	(0.062)	(0.050)	(0.067)	(0.071)	(0.090)	(0.060)	(0.066)	(0.049)	(0.063)	(0.095)	(0.155)	(0.056)	(0.070)
Perc. unemployed	0.002	0.003	0.003	0.004	0.005	0.006	-0.002	-0.002	0.001	0.001	-0.014**	-0.020**	0.003	0.004
	(0.003)	(0.004)	(0.004)	(0.005)	(0.005)	(0.006)	(0.004)	(0.005)	(0.003)	(0.004)	(0.007)	(0.010)	(0.004)	(0.005)
Perc. discouraged	-0.002	-0.003	0.005	0.007	-0.010	-0.012	-0.004	-0.004	-0.006	-0.007	-0.009	-0.013	-0.005	-0.006
	(0.005)	(0.006)	(0.005)	(0.006)	(0.007)	(0.009)	(0.006)	(0.006)	(0.005)	(0.006)	(0.009)	(0.014)	(0.005)	(0.007)
ρ	0.314***		0.340***		0.291***		0.121		0.280***		0.479***		0.257***	
	(0.000)		(0.000)		(0.000)		(0.148)		(0.000)		(0.000)		(0.000)	
ϕ	0.932***		0.938***		0.904***		0.753***		0.906***		0.500		0.893***	
	(0.000)		(0.000)		(0.000)		(0.001)		(0.000)		(0.204)		(0.000)	
Pseudo R^2	0.14		0.22		0.09		0.06		0.14		0.01		0.12	
χ^2	294		270		142		145		307		386		203	
Other controls	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
N	1,062		1,062		1,062		1,062		1,062		1,062		1,062	

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are reported in parenthesis. Fixed effects estimates. Crime is assumed to be spatially correlated with the level of crime in a district's first-order neighbor. As for the errors, they are assumed to be correlated with those of all other neighbor, albeit inversely proportional to the distance between districts. The inequality index is based on a factor analysis of inequality in terms of water access, type of dwelling, type of toilet and type of fuel/energy for lighting, heating and cooking. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage Black, Colored and Asian) and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of households who own their dwelling.

Table 4: Government Housing and Inequality

	HOUSING INEQUALITY INDEX $\mu = 0$ and $\sigma = 1$					
Explanatory variables	(1)	(2)	(3)	(4)	(5)	(6)
Lag 1 RDP and PHP	-0.114***	-0.040**				
	(0.037)	(0.018)				
Lag 2 RDP and PHP			-0.127***	-0.043**		
			(0.037)	(0.018)		
Lag 3 RDP and PHP					-0.151***	-0.050**
					(0.035)	(0.020)
Within R^2	0.85	0.97	0.85	0.97	0.86	0.97
F	47	129	45	129	58	132
Other controls	I	II	I	II	I	II
N	126	126	126	126	126	126

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Two-way fixed effects. Robust errors are reported in parenthesis. The reported explanatory variables are measured as 1,000 units per 100,000 people. The dependent variable is standardised. The inequality index is based on a factor analysis of MD-level inequality in terms of: water access, type of dwelling and toilet, type of fuel for cooking, heating and lighting. Integrated Reconstruction and Development Program (IRDP) and the People's Housing Process (PHP). Group I includes the following set of covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage Black, Colored and Asian), average education, percentage unemployed, percentage discouraged and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage who have their rubbish removed by authorities and percentage of households who own their dwelling of residence. In addition to Group-I variables, Group II further includes: percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet and percentage with access to electricity.

Table 5a: Government Housing and Violent Crimes

	ALL VIOLENT CRIMES Log of crime per 100,000 people						
Explanatory variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Housing inequality index	0.323*		0.236		0.228		0.207
	(0.192)		(0.200)		(0.204)		(0.218)
Lag 1 RDP and PHP		-0.053**	-0.044				
		(0.026)	(0.028)				
Lag 2 RDP and PHP				-0.056*	-0.046		
				(0.029)	(0.031)		
Lag 3 RDP and PHP						-0.062**	-0.051
						(0.029)	(0.033)
Avg. education (years)	-0.685**	-0.686**	-0.667**	-0.680**	-0.663**	-0.659**	-0.647**
	(0.277)	(0.284)	(0.274)	(0.282)	(0.273)	(0.281)	(0.274)
Perc. unemployed	-0.001	0.002	-0.000	0.002	0.001	0.002	0.001
	(0.009)	(0.008)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Perc. discouraged	-0.008	0.000	0.007	-0.006	0.001	-0.017	-0.008
	(0.026)	(0.027)	(0.028)	(0.026)	(0.027)	(0.026)	(0.027)
Within R^2	0.72	0.72	0.72	0.72	0.73	0.72	0.73
F	54	53	46	52	47	56	54
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	126	126	126	126	126	126	126
Inequality index			*(3) - (1)*		*(5) - (1)*		*(7) - (1)*
Wald test† χ^2			2.68		2.65		2.51
P-value			0.10		0.10		0.11
IRDP-PHP			*(3) - (2)*		*(5) - (4)*		*(7) - (6)*
Wald test‡ χ^2			1.21		1.19		0.99
P-value			0.27		0.27		0.32

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Two-way fixed effects. Robust errors are reported in parenthesis. The inequality index is based on a factor analysis of MD-level inequality in terms of: water access, type of dwelling and toilet, type of fuel for cooking, heating and lighting. Integrated Reconstruction and Development Program (IRDP) and the People's Housing Process (PHP). The housing stock is measured as 1,000 units per 100,000 people. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage black, Colored and Asian) and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of households who own their dwelling.

†The first *Wald* test checks whether the housing index is statistically the same with or without controlling for the IRDP-PHP stock. For instance, inequality in (3), (5) and (7) is tested against inequality in (1). H0: coefficients are the same across the different regressions. H1: coefficients are different.

‡The second *Wald* test checks whether the impact of the IRDP-PHP stock is statistically the same with or without the inclusion of the inequality index. For instance, the IRDP-PHP stock in (3), (5) and (7) is tested against inequality in (2), (4) and (6). The tests are done using seemingly unrelated Least Square Dummy Regressions with errors clustered at MD level.

Table 5b: Government Housing and Property Crimes

	ALL PROPERTY CRIMES Log of crime per 100,000 people						
Explanatory variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Housing inequality index	0.228		0.224		0.217		0.196
	(0.169)		(0.174)		(0.174)		(0.186)
Lag 1 IRDP and PHP		-0.011	-0.002				
		(0.027)	(0.028)				
Lag 2 IRDP and PHP				-0.015	-0.006		
				(0.028)	(0.029)		
Lag 3 IRDP and PHP						-0.024	-0.014
						(0.027)	(0.030)
Avg. education (years)	-0.574**	-0.590**	-0.573**	-0.586**	-0.571**	-0.574**	-0.563**
	(0.271)	(0.282)	(0.272)	(0.281)	(0.272)	(0.280)	(0.274)
Perc. unemployed	-0.003	-0.002	-0.003	-0.002	-0.003	-0.001	-0.003
	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)
Perc. discouraged	-0.005	-0.011	-0.005	-0.012	-0.004	-0.014	-0.005
	(0.028)	(0.025)	(0.026)	(0.025)	(0.027)	(0.027)	(0.028)
Within R^2	0.70	0.70	0.70	0.70	0.70	0.70	0.71
F	26	26	24	25	24	26	25
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	126	126	126	126	126	126	126

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Two-way fixed effects. Robust errors are reported in parenthesis. The inequality index is based on a factor analysis of MD-level inequality in terms of: water access, type of dwelling and toilet, type of fuel for cooking, heating and lighting. The housing stock is measured as 1,000 units per 100,000 people. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage black, Colored and Asian) and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of households who own their dwelling.

Table 6: Old-Age Pension Eligibility and Housing Inequality

	HOUSING INEQUALITY INDEX	
	$\mu = 0$ and $\sigma = 1$	
Explanatory variable	(1)	(2)
Perc. eligible pension	-0.042	-0.035
	(0.060)	(0.036)
Within R^2	0.82	0.97
F	31	122
Other controls	I	II
N	126	126

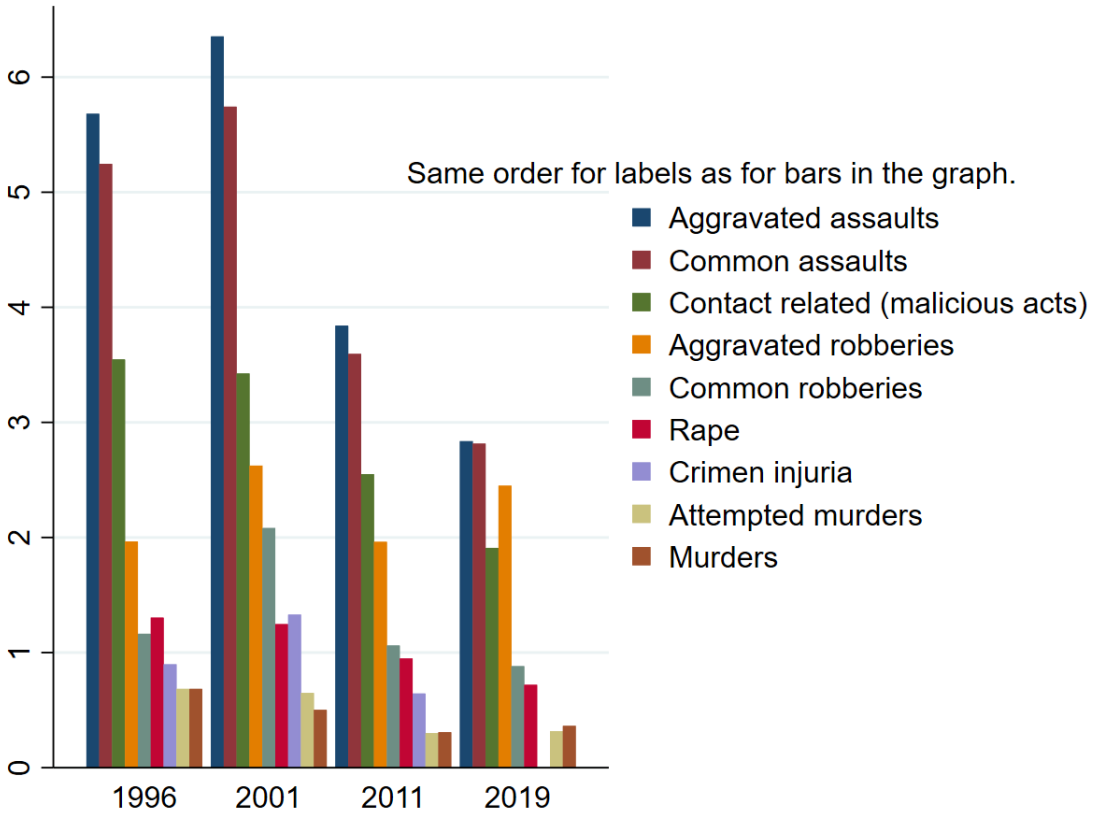
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Two-way fixed effects. Robust errors are reported in parenthesis. The dependent variable is standardised. The inequality index is based on a factor analysis of MD-level inequality in terms of: water access, type of dwelling and toilet, type of fuel for cooking, heating and lighting. The percentage eligible for old-age pensions is computed considering the Black and Colored populations that meet the age criterion. Group I includes the following set of covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage Black, Colored and Asian), average education, percentage unemployed, percentage discouraged and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage who have their rubbish removed by authorities and percentage of households who own their dwelling of residence. In addition to Group-I variables, Group II further includes: percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet and percentage with access to electricity.

Table 7: Old-Age Pension Eligibility and Crime

	ALL VIOLENT CRIMES Log of crime per 100,000 people		**ALL PROPERTY CRIMES Log of crime per 100,000 people**	
Explanatory variables	(1)	(2)	(3)	(4)
Housing inequality index		0.378*		0.259
		(0.201)		(0.198)
Perc. eligible pension	0.075	0.088	0.040	0.049
	(0.066)	(0.065)	(0.061)	(0.063)
Avg. education (years)	-0.697**	-0.655**	-0.586**	-0.557**
	(0.277)	(0.256)	(0.269)	(0.254)
Perc. unemployed	-0.001	-0.003	-0.003	-0.005
	(0.009)	(0.009)	(0.010)	(0.010)
Perc. discouraged	-0.005	0.016	-0.006	0.008
	(0.027)	(0.033)	(0.029)	(0.034)
Within R^2	0.72	0.73	0.70	0.71
F	74	69	29	25
Other controls	Yes	Yes	Yes	Yes
N	126	126	126	126

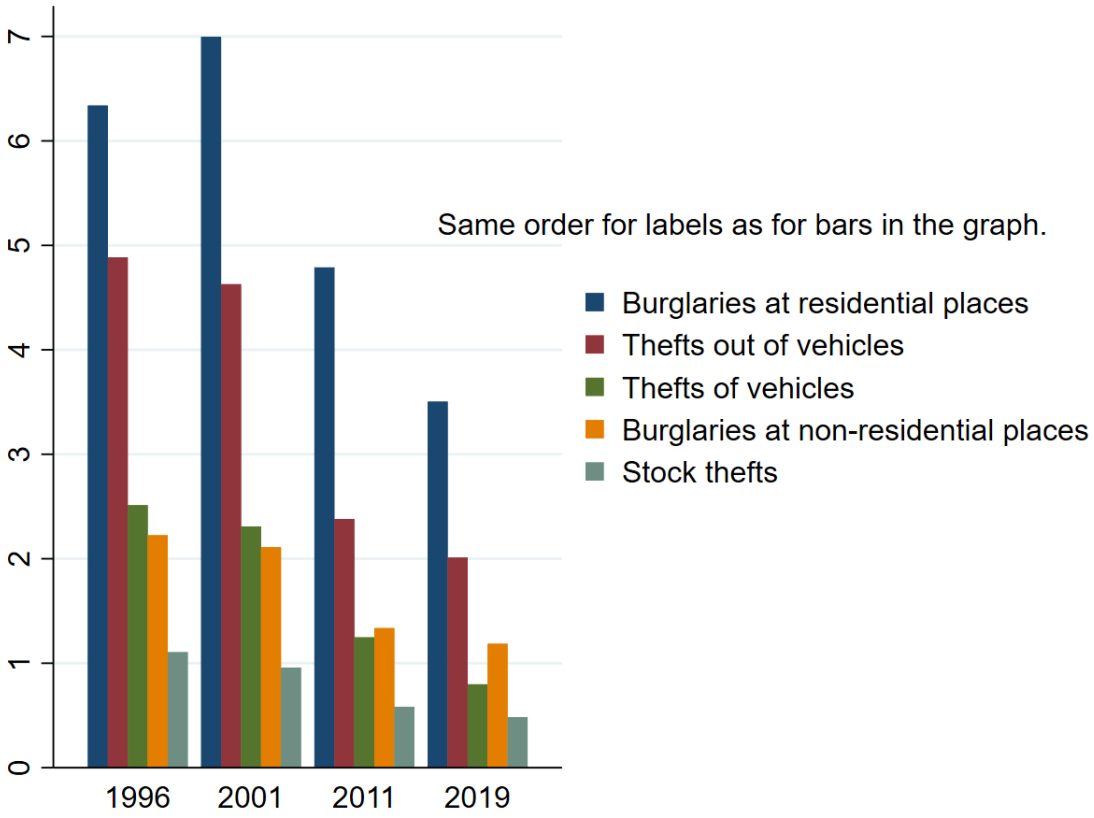
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Two-way fixed effects. Robust errors are reported in parenthesis. The inequality index is based on a factor analysis of inequality in terms of: water access, type of dwelling and toilet, type of fuel for cooking, heating and lighting. The percentage eligible for old-age pensions is computed considering the Black and Colored populations that meet the age criterion. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage Black, Colored and Asian) and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of households who own their dwelling.

Figure 1a: Violent Crimes (Incidence per 1,000 People Nation-Wide)



Violent crimes include contact and contact-related crimes. These would have been the universe of violent crimes, but due to the imperfect overlap between crime categories across the years, we had to drop some sexual offences. Nevertheless, due to their relatively small magnitude (as far as reporting to the police is regarded), this omission does not impact the picture that this graph is meant to give.

Figure 1b: Property Crimes (Incidence per 1,000 People Nation-Wide)



This is the universe of property crimes in South Africa.

Figure 2: Spatial Distribution of Variables (1996–2011 Means)

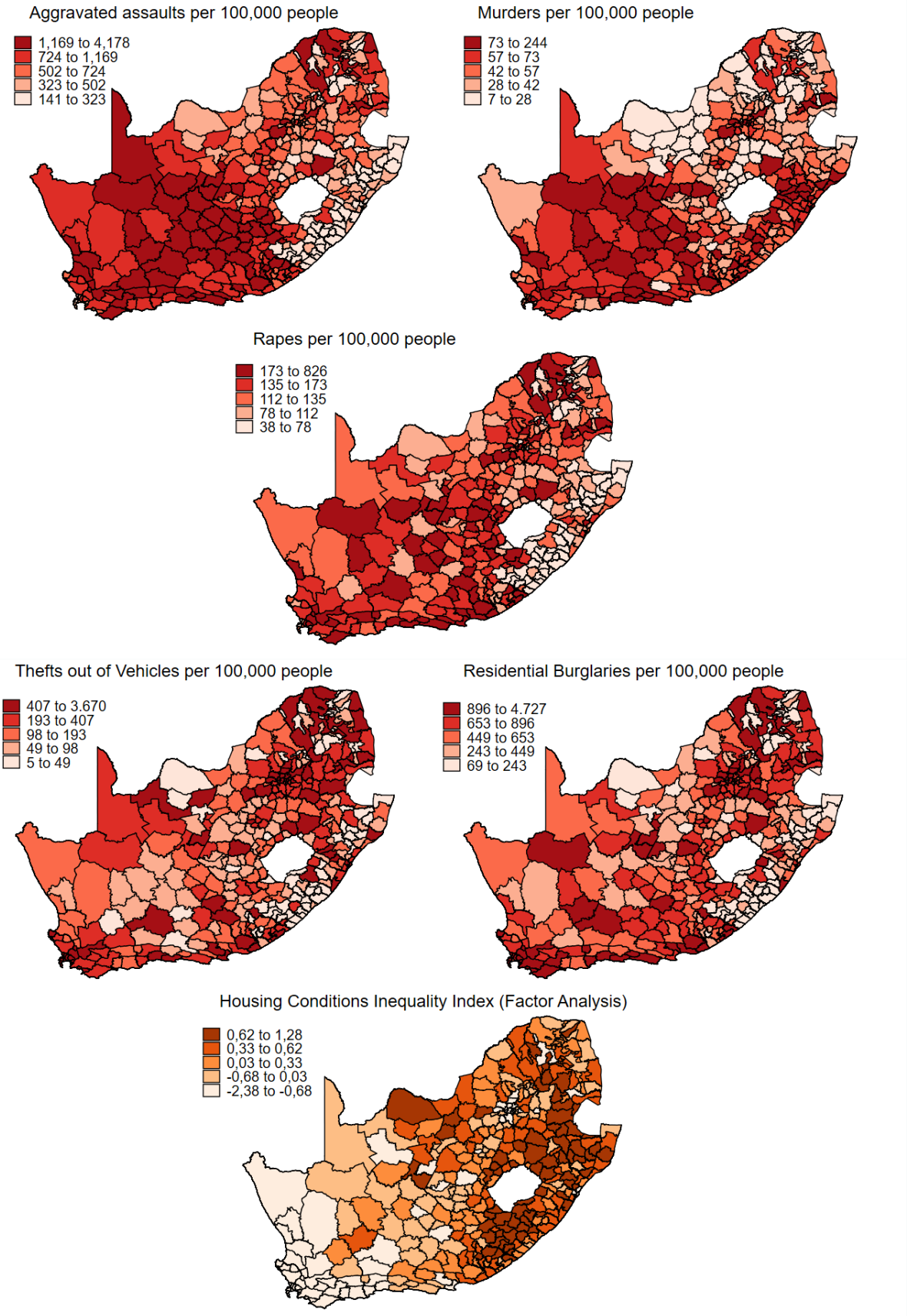
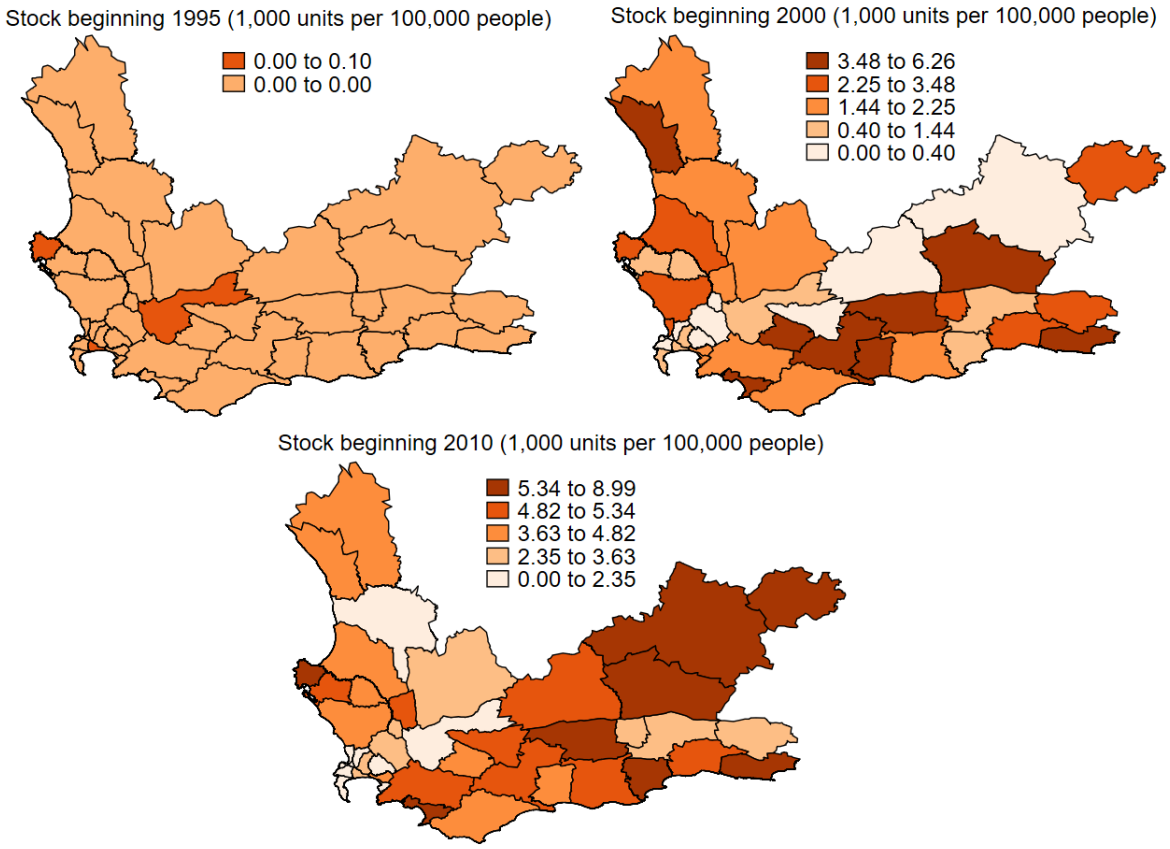


Figure 3: Stock of Government Housing in the Western Cape Province



Stock numbers include the units delivered by the following subsidy schemes: the Integrated Reconstruction and Development Program (IRDP, which includes its predecessor project-linked subsidies) and the People's Housing Process (PHP). There are 42 magisterial districts in the Western Cape Province.

Appendix

A.1 Housing Conditions Inequality, Factor Analysis

Inequality in terms of:	Factor Loadings	Uniqueness
Type of dwelling	0.65	0.46
Access to water	0.72	0.44
Type of toilet	0.78	0.39
Type of energy for lighting	0.75	0.31
Type of fuel for cooking	0.91	0.15
Type of fuel for heating	0.76	0.30

The analysis is done based on the full sample of 1,062 observations and standardized inequality measures. Vector 1 is the only factor with an eigenvalue greater than 1, namely 3.52. The Kaiser-Meyer-Olkin measure of sampling adequacy is 0.83. This value is very encouraging and recommends the use of factor analysis to construct an index to describe inequality in terms of housing conditions.

A.2 Negative Binomial Estimates

	VIOLENT CRIMES Log of crime per 100,000 people				PROPERTY CRIMES Log of crime per 100,000 people		
	All Violent Crimes	**Aggravated Assaults**	**Murders**	**Rapes**	**All Property Crimes**	**Thefts out of Vehicles**	**Residential Burglaries**
Explanatory variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Housing inequality index	0.107***	0.125***	-0.035	0.145***	0.091***	0.324***	0.054*
	(0.026)	(0.029)	(0.040)	(0.030)	(0.028)	(0.049)	(0.031)
Avg. education (years)	-0.034	-0.013	-0.010	0.016	-0.128***	-0.089	-0.090**
	(0.038)	(0.040)	(0.053)	(0.043)	(0.038)	(0.058)	(0.042)
Perc. unemployed	-0.005*	-0.005	-0.003	-0.004	-0.004	-0.017***	-0.002
	(0.003)	(0.003)	(0.005)	(0.003)	(0.003)	(0.006)	(0.004)
Perc. discouraged	-0.002	0.004	-0.014**	0.000	-0.004	-0.006	-0.003
	(0.004)	(0.005)	(0.007)	(0.005)	(0.004)	(0.007)	(0.005)
χ^2	778	565	651	304	910	686	469
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1,062	1,062	1,062	1,062	1,062	1,062	1,062

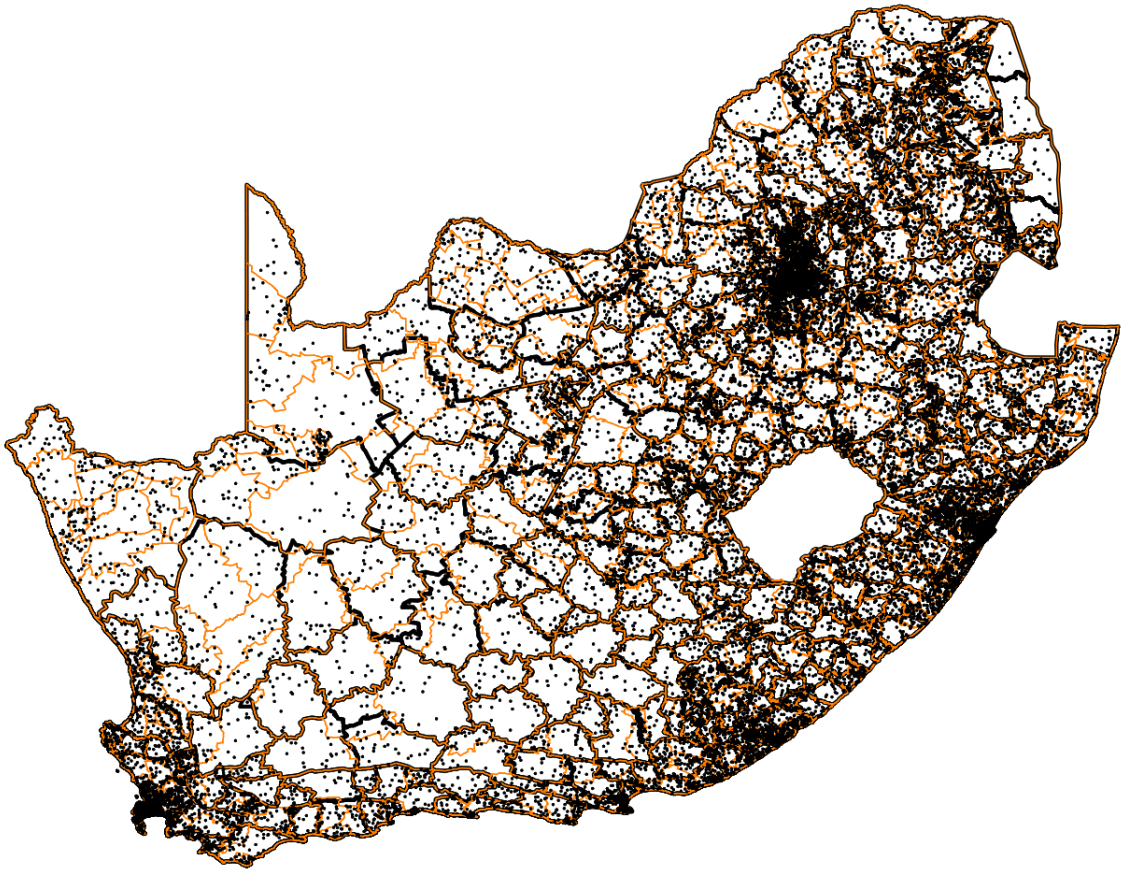
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Negative binomial two-way fixed effects estimates. Standard errors are reported in parenthesis. The dependent variable is the incidence of crime at the level of MDs per 100,000 people. The coefficients have not been exponentiated. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage black, Colored and Asian) and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of households who own their dwelling.

A.3 Robustness to Variations of the Inequality Index

	VIOLENT CRIMES Log of crime per 100,000 people								PROPERTY CRIMES Lof of crime per 100,000 people					
	All Violent Crimes		Aggravated Assaults		Murders		Rapes		All Property Crimes		Thefts out of Vehicles		Residential Burglaries	
	(1)		(2)		(3)		(4)		(5)		(6)		(7)	
Variations index specification	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Benchmark: FA on type of dwelling, access to water, type of toilet and fuel/energy for lighting, cooking and heating														
Housing inequality index	0.085***	0.109***	0.094***	0.124***	-0.030	-0.038	0.124***	0.135***	0.099***	0.124***	0.345***	0.522***	0.086**	0.105**
	(0.029)	(0.037)	(0.031)	(0.041)	(0.044)	(0.055)	(0.037)	(0.040)	(0.030)	(0.038)	(0.058)	(0.093)	(0.035)	(0.043)
	(8)		(9)		(10)		(11)		(12)		(13)		(14)	
PCA on type of dwelling, access to water, type of toilet and fuel/energy for lighting, cooking and heating														
Housing inequality index	0.099***	0.126***	0.122***	0.158***	-0.014	-0.018	0.147***	0.160***	0.108***	0.133***	0.371***	0.549***	0.103***	0.125***
	(0.030)	(0.039)	(0.032)	(0.042)	(0.046)	(0.057)	(0.038)	(0.041)	(0.032)	(0.039)	(0.061)	(0.092)	(0.036)	(0.044)
	(15)		(16)		(17)		(18)		(19)		(20)		(21)	
FA on type of dwelling, access to water, type of toilet and fuel/energy for lighting														
Housing inequality index	0.109***	0.139***	0.156***	0.200***	-0.008	-0.010	0.159***	0.173***	0.101***	0.124***	0.423***	0.610***	0.105***	0.127***
	(0.032)	(0.040)	(0.034)	(0.043)	(0.048)	(0.060)	(0.040)	(0.043)	(0.033)	(0.041)	(0.066)	(0.095)	(0.038)	(0.045)
	(22)		(23)		(24)		(25)		(26)		(27)		(28)	
FA on type of dwelling, access to water and type of toilet														
Housing inequality index	0.098***	0.125***	0.148***	0.190***	0.024	0.030	0.125***	0.138***	0.081**	0.101**	0.304***	0.458***	0.084**	0.102**
	(0.031)	(0.040)	(0.033)	(0.043)	(0.047)	(0.059)	(0.039)	(0.044)	(0.033)	(0.041)	(0.064)	(0.098)	(0.037)	(0.045)

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Each cell is a different regression: 7 dependent variables $\times$ 4 index measurements (including the benchmark specification). Errors are reported in parenthesis. Fixed effects estimates. Crime is assumed to be spatially correlated with the level of crime in a district's first-order neighbor. As for the errors, they are assumed to be correlated with those of all other neighbor, albeit inversely proportional to the distance between districts. All specifications include the following covariates: year dummies, density (1,000 people per km^2), MD-level averages of individual characteristics such as population-group (percentage black, Colored and Asian), education, percentage unemployed, percentage discouraged and percentage individuals who have moved in the past 10 years, and MD-level averages of household characteristics such as average size, average number of rooms, percentage living in an informal dwelling, percentage with access to water on the household's premises, percentage who own a flush or chemical toilet, percentage who have their rubbish removed by authorities, percentage with access to electricity and finally, percentage of households who own their dwelling.

A.4 Merger Between Magisterial Districts and Police Districts



The black, thick contour is that of the magisterial districts (MDs). The orange, thin contour describes the police districts. Each police district is populated with several randomly generated points. For police districts that cross several MDs, of the total number of points, we count the points that fall in each MD and we distribute the crimes of that police district to its respective MDs proportionally.