

What are the political costs of austerity? Cross-country research finds inconclusive evidence on fiscal retrenchment and electoral punishments, but finds that fiscal retrenchment increases social unrest (Arias and Stasavage, 2019; Ponticelli and Voth, 2020). Whilst Fetzner (2019) concludes that welfare retrenchment generated electoral costs for the incumbent government in the context of the 2010s UK, evidence on welfare retrenchment and social unrest from a research setting with fixed social and political institutions remains limited (Cantoni et al., 2024).

I study welfare retrenchment and social unrest in the context of the English Old Poor Law. Local authorities in over 12,000 parishes had the legal power to raise taxes locally to provide social welfare for eligible parishioners. Their distinct efforts of welfare retrenchment during the aftermath of the Napoleonic Wars, motivated by both an ideological shift towards *laissez-faire* and the growing tax burden of local elites, provide a unique research setting in which the intensity of welfare change varied across parishes whilst the underlying social and political institutions remained fixed. Welfare retrenchment during the 1820s was further supported by the passage of the 1819 Poor Relief Act, which enabled individual parishes to form an austerity-oriented institution called the select vestry, constituting a group of local taxpayers who were obligated to tighten welfare eligibility. Post-Napoleonic England also witnessed sporadic episodes of social unrest during the 1820s in regions such as East Anglia and Lancashire, as well as a major unrest outbreak known as the Swing Riots during the winter of 1830, which remained as one of the largest episodes of social unrest ever observed in England.

I draw on theories from behavioural political economy to formalise the relationship between welfare retrenchment and social unrest within a framework where parish elites maximise their income by trading off redistribution to parishioners against the probability of income-

disrupting social unrest. I show that welfare retrenchment causes social unrest when it increases grievances arising from relative deprivation and when it increases the perceived concession possibility from violent bargaining. On the one hand, social comparison provides a sense of relative deprivation when welfare is retrenched more than a reference group, such as neighbouring parishes. On the other hand, comparison with past welfare provision that was more generous develops bargaining incentives due to expectations of a recovery towards the habitual level of welfare provision.

I apply generative AI with customised prompts to construct a novel social unrest database containing the category, date and location for each reported rioting incident from the transcriptions of over 800,000 digitised contemporaneous newspapers originally printed between 1816 and 1831, which streamlines existing data collection efforts relying on the manual reading of newspaper articles. To measure variation in welfare change across parishes over time, I transcribe and geocode post-Napoleonic poor relief expenditure published by the parliament. I draw on the timing of the austerity-oriented 1819 Poor Relief Act to define the reference level of welfare as the average poor relief expenditure between 1816 and 1819, and I define a parish experiencing welfare retrenchment for a given year if the observed poor relief expenditure falls below the pre-1820 reference level.

I empirically test the relationship between welfare retrenchment and social unrest using a shift-share instrumental variables research design to address endogeneity concerns. I define the instrument for welfare retrenchment as the likelihood that a parish forms a select vestry in a given year. The shift variable denotes the total number of parishes forming select vestries at the county level in year t . The share variable denotes the proportion of land suitable for

sedentary animal husbandry within the county, proxying for the presence of large land occupiers, who were more supportive of select vestry formation because arable farmers occupying smaller plots of land plausibly transferred more wage burden to livestock farmers occupying larger plots of land via poor relief during off-seasons.

The first part of my empirical analysis studies the general equilibrium effects of welfare retrenchment on social unrest during the 1820s in an event study specification. I estimate the dynamic treatment effects of welfare retrenchment on social unrest, where the treatment status is instrumented with the annual parish-specific likelihood of select vestry formation. The second part of my empirical analysis studies welfare retrenchment as a fundamental cause of a major unrest outbreak in a first-differencing specification. I instrument the change in poor relief expenditure between pre-1820 and 1829 with the likelihood of select vestry formation in 1820 to estimate the effect of welfare retrenchment on the intensity of the Swing Riots.

The reduced-form analysis finds conclusive evidence supporting the causal relationship between welfare retrenchment and social unrest. During the 1820s, the causal effect of welfare retrenchment on social unrest was not immediately observed, but became statistically significant and started to rise from the third year of treatment, such that by the ninth year of treatment, welfare retrenchment increased the likelihood of rioting by an average of 15%. During the Swing Riots period, a percentage decrease in poor relief expenditure between pre-1820 and 1829 led to an increase in the number of riotous days by an average of nine days.

I test the significance of social comparison and habituation in explaining my empirical results. During the 1820s, I found that welfare retrenchment increased relative deprivation by over 30%

and that welfare retrenching parishes were more likely to reverse their policy to a certain extent in response to rioting. I then validate the significance of relative deprivation as an important factor mediating the effect of welfare change on the Swing Riots, lending support to grievances arising from social comparisons. Finally, I extend my analysis of the Swing Riots by estimating a repeated sequential game using daily data on pre-emptive and reactive concessions made by parish elites, which concludes the significance of welfare retrenchment in prompting reactive concessions in response to rioting as a form of violent bargaining, plausibly due to the accumulation of financial savings that corresponds to the perceived concession possibility formed by parishioners habituated to the more generous welfare received in the past.