

## **A Microeconomic Solution to Reduce Begging in Luxembourg's Streets**

Luxembourg, known for its high standard of living and bustling economy, has seen an increasing number of panhandlers on its streets, a situation that has become a concern for both residents and policymakers. While many beggars appear to be in genuine need, there is growing concern that some are part of organised groups strategically placed to collect money. The fear is that the funds gathered may be diverted to sustain alcohol and substance abuse, or worse, to support criminal activities. In response, lawmakers introduced a ban on begging in key tourist streets on 15 December 2023. However, the results have been less successful than hoped, and the move has not been without controversy. The approach is seen as invasive, potentially infringing on fundamental rights, and it requires ongoing enforcement by the police and judicial follow-up. This places significant burdens on law enforcement and the judicial system, increasing costs for the taxpayer. Moreover, such methods offer only a temporary fix and risk displacing begging to neighbouring areas. To find a sustainable, humane, and cost-effective solution, we must turn to microeconomic theory, which offers practical insights into human behaviour and resource allocation.

### **The Economics of Begging**

From an economic perspective, every person, including beggars, is a consumer aiming to maximise their utility (satisfaction) with the resources available to them. Panhandlers, like everyone else, make decisions based on their budget constraints. The more money they receive, the more they will spend on various goods and services. However, not all spending necessarily addresses their basic needs. Some may indeed go towards essentials, but a portion could be used for harmful or illicit activities driven by malicious organisations. This is where economic theory can provide a solution. Rather than focusing on deterrence through enforcement, policymakers could adjust the relative prices and availability of goods that beggars consume. In essence, Luxembourg can make it easier for beggars to access food and essential items, while making it harder for them to obtain cash that could be misused.

### **A Voucher-Based Approach**

A promising and innovative solution would be to introduce a food-and-support voucher system. The concept is simple yet powerful: instead of giving money directly to beggars, socially conscious citizens or tourists could purchase vouchers from participating stores and donate them to beggars. These vouchers could then be exchanged for basic necessities, reducing the incentive for organised groups to place beggars on the streets, as the monetary reward would be largely diminished. This approach would also mitigate the risks associated with begging-related crime and substance abuse, as vouchers limit spending to essentials, making it more difficult to misuse donations.

This approach is cost-effective, humane, and does not require extensive police or judicial involvement. It shifts the focus from enforcement to providing controlled, direct support, making it a more sustainable solution.

### **A Digital Paperless Solution**

To enhance the efficiency of this system and reduce logistical challenges, a digital voucher platform could be introduced. Recognising that many panhandlers may not have access to mobile phones, the system could operate through a contactless card-based approach with a QR code printed on the card, combined with a mobile app for donors. Here's how it could work:

1. **Contactless Cards for Panhandlers:** Panhandlers would be issued rechargeable contactless cards, distributed by social services or NGOs. These cards would be topped up with digital vouchers by donors, allowing recipients to access help in a dignified manner without needing a mobile phone. The card system would also enable policymakers to collect valuable (anonymised) data, helping them to fine-tune the programme and allocate resources where most needed.

2. **Voucher Donations via Mobile App:** Donors could purchase digital vouchers through a mobile app or kiosks. Using the app, they could scan a QR code on the recipient's contactless card, instantly transferring a voucher for use before a set expiration date. The QR code printed on the card would ensure easy access for both donors and recipients.

3. **Redemption at Participating Businesses:** These cards could be redeemed at a network of registered businesses, including supermarkets, pharmacies, and food vendors, for essential items such as food, clothing, and hygiene products. Businesses would scan the card to deduct the appropriate amount.

4. **Cost-Effective and Transparent:** The digital voucher system would be both cost-effective and transparent, reducing administrative costs and eliminating the need for physical vouchers. Donors could track how their contributions are used, ensuring accountability and encouraging continued engagement.

## **Benefits Beyond the Streets**

This system offers a range of benefits that extend beyond reducing street begging. By working with local suppliers and retailers, Luxembourg could not only address a social issue but also stimulate the local economy. As panhandlers redeem vouchers for food and essentials, participating businesses would benefit from increased demand. Any unredeemed vouchers could act as a small subsidy for merchants.

A key advantage of this approach is the sense of community engagement it fosters. Residents and tourists would have a direct and effective way to help those in need, knowing that their contributions are being used for essential goods. This method removes the moral dilemma or suspicion often associated with giving cash to panhandlers.

## **A Call for Action**

While the long-term goal should be to integrate panhandlers into the regular labour market, offering them a path towards social belonging and economic independence, however, it would be naïve to believe that the issues of homelessness and social distress can be easily resolved in the short term, not least given the current global context. Yet Luxembourg stands at a crossroads in its approach to managing street begging.

Strict anti-begging laws and increased police presence may seem like quick fixes, but they are costly, risk alienating vulnerable groups, and merely displace the problem. A voucher system, on the other hand, aligns with sound economic principles and offers a humane, efficient, and cost-effective alternative.

Luxembourg has the opportunity to lead by example, creating a blueprint for other cities facing similar challenges. It is time to move beyond enforcement and embrace smart economic policies that benefit everyone.

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The views expressed are his own