



What the financial diaries of working-class families reveal about economic stresses, why they happen, and what policies might reduce them

“*The Financial Diaries* provides a useful framework for readers looking to understand why working-class families feel uneasy with their financial situations. Morduch and Schneider make the important case for the distinction between illiquidity and insolvency, and for the idea that policy solutions for each of these problems may not be the same.”

—Elisabeth Jacobs, Washington Center for Equitable Growth

The Financial Diaries

How American Families Cope in a World of Uncertainty

JONATHAN MORDUCH & RACHEL SCHNEIDER

Deep within the American Dream lies the belief that hard work and steady saving will ensure a comfortable retirement and a better life for one's children. But in a nation experiencing unprecedented prosperity, even for many families who seem to be doing everything right, this ideal is still out of reach.

In *The Financial Diaries*, Jonathan Morduch and Rachel Schneider draw on the groundbreaking U.S. Financial Diaries, which follow the lives of 235 low- and middle-income families as they navigate through a year. Through the Diaries, Morduch and Schneider challenge popular assumptions about how Americans earn, spend, borrow, and save—and they identify the true causes of distress and inequality for many working Americans.

We meet real people, ranging from a casino dealer to a street vendor to a tax preparer, who open up their lives and illustrate a world of financial uncertainty in which even limited financial success requires imaginative—and often costly—coping strategies. Morduch and Schneider detail what families are doing to help themselves and describe new policies and technologies that will improve stability for those who need it most.

Combining hard facts with personal stories, *The Financial Diaries* presents an unparalleled inside look at the economic stresses of today's families and offers powerful, fresh ideas for solving them.

Jonathan Morduch is professor of public policy and economics at the New York University Wagner Graduate School of Public Service. He is the coauthor of *Portfolios of the Poor* (Princeton) and other books. **Rachel Schneider** is senior vice president at the Center for Financial Services Innovation, an organization dedicated to improving the financial health of Americans.

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POPULAR ECONOMICS | CURRENT AFFAIRS

AN INTERVIEW WITH JONATHAN MORDUCH & RACHEL SCHNEIDER

What makes the U.S. Financial Diaries different from other financial surveys of American households?

We set out to find people who were willing to open up their entire financial lives to us for a year. Two hundred thirty-five families and individuals let us track every dollar that they earned, spent, borrowed, and saved, or that they received from others.

We got to know many of the families personally. And seeing 235 different lives allowed us to draw connections between people facing similar dilemmas in radically different situations—from undocumented migrant workers in northern California to middle-class families in Ohio. Because money touches so much of life, we could see most other parts of their lives, too.

Each of the book's chapters opens with one or two individuals and follows their work and family life. Describe a memorable participant in the diaries project.

The book opens with the story of Becky and Jeremy, a young couple raising a family in a small town in Ohio. Their story reveals a common struggle to achieve both mobility and stability. Jeremy was working full-time, fixing trucks on commission. Becky mainly stayed home to raise their children, volunteered, and occasionally cleaned houses on the side. Jeremy liked his job, but fixing eighteen-wheeler trucks is a seasonal business, and Jeremy's pay was unsteady. Even though Becky and Jeremy had many of the markers of middle-class life—a comfortable home, a tight community, and solid employment—they felt incredibly insecure. At the end of the study, Jeremy switched to a lower-paying job with a longer commute—but at least it came with a steady paycheck.

What do most of us not understand about the financial plight of the working and middle classes—and what can we learn from it?

First, families feel insecure for perfectly good reasons—income and spending needs are often unpredictable and hard to manage, even for middle-class families. Second, people cope with the risks in surprising and inventive ways. They strategize with family members. They save actively, even if not for the long term. They find ways to discipline their borrowing. None of the ideas are flawless, but some point to ways businesses and governments can create better solutions. Maybe more important, the stories in the diaries show how unbalanced America has become in terms of whose shoulders are carrying most of the risk today.



Courtesy of Robin Holland



Courtesy of Sofia Negron