SASE 2019 Mini-conference:

Economic Volatility of Our Age, in Theory and Evidence

The economic volatility of our age—and, with it, heightened uncertainty and anxiety—is partially rooted in fundamental changes in the workplace. Workers today often manage unsteady economic lives, forced to cope with risks that businesses have shifted onto their shoulders, increasingly through the use of algorithms optimized for short-term business profit. For workers paid by the hour, paychecks vary with the number of hours allotted in a week. For workers who rely on tips and commissions, income depends on the level of business activity and the generosity of customers. For workers who supplement "normal" jobs with time in the gig economy, those gigs come and go. Having a steady job is no guarantee of a steady income. At the same time, welfare benefits have been increasingly tied to workforce attachment in most western countries leaving those at the edge of the labor market insecure. With these transformations, poor, near-poor, and working-class households can all be considered as part of a shared condition. Reckoning with this condition requires new analytical and theoretical tools.

The mini-conference will explore these ideas through three panels.

- Empirical realities: Economic debates on inequality have focused on the top of the socio-economic ladder and on the dispersion of income and wealth (Piketty, 2013). But insights are emerging from studies using a variety of methods—ethnography, financial diaries, qualitative surveys, and Big Data—which capture views of households with high frequency through the year, replacing static or widely-spaced views (Morduch and Schneider, 2017). The high frequency windows allow risks to be traced by researchers in fine-grain detail and implications to tracked as they play out. The panel will put empirical perspectives and methodologies into conversation, taking what happens in the bottom half of the distribution seriously in the study of inequality dynamics (OECD, 2015). It will question the prevailing poverty measures that do not fully capture the extent to which workers, even in full-time jobs, are at risk (Duvoux and Papuchon, 2018).

- Extending theoretical approaches to socio-economic stratification: Concern goes beyond what is generally understood as precarity, ideas usually attached to marginalized groups and those on the edges of the economy. While recognizing the way that framing inequality in terms of insecurity has allowed a more dynamic view on these issues (Western et al., 2012), concern goes beyond the *risks* of destabilization due to lost jobs, ill health, and the like; instead, understandings must build from the ways that instability and variability have become an *ongoing* characteristic of economic life. Not only the poor but also large segments of uneducated and less educated are concerned with these detrimental conditions. It has recently been argued that polarization (Kalleberg, 2011) can capture the global dynamics in the labor market. Which theoretical categories and methodologies can be used to investigate and extend notions of economic unsteadiness, insecurity (Hacker, 2006), and precarity?

- Roles of governments, markets, and non-state actors: Populations are looking for greater stability, yet this stability is elusive in the current regime of accumulation, production and redistribution. How and why are conditions perpetuated? What are the prospects for change? Can and if so how welfare arrangements can constitute buffers to this widespread economic insecurity?

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These themes will be developed and debated in three sessions:

SESSION: Insecurity and Stratification

This session introduces precarity and insecurity and places them within the literature on stratification. The papers describe types of precarity regimes, and they compare their incidence and consequences in Europe and the United States.

Proletariat, Precariat, Subsidiariat: The Consequences of Poverty and Income Unpredictability in the Late Post-Fordist Regime U.S. & Germany 1980-2020

Louis Chauvel, University of Luxembourg, Belval, Luxembourg and **Anne Hartung**, University Of Luxembourg, Esch-Belval, Luxembourg

Economic Insecurity As a Factor in Social Stratification: Income Volatility, Economic Insecurity, and Educational Outcomes

Jeremy Cohen, Princeton University, Princeton, NJ

Varieties of Precarity in Europe: An Empirical Analysis of Different Types of Precarity in Comparative Perspective

Ioulia Bessa, University of Leeds, Leeds, United Kingdom and **Christiana Ierodiakonou**, University of Cyprus, Nicosia, Cyprus

SESSION: Race, Gender, and Volatility

Precarity and volatility are experienced differently across populations. These papers describe patterns of volatility in a large sample from the United States, the role of gender in Indian villages, and race in the United States across time. They show that insecurity is widespread but can affect subpopulations very differently.

Managing Economic Volatility. a Gender Perspective

Elena Reboul, Cessma (University Paris VII Diderot), Paris, France, **Isabelle Guérin**, Cessma (Institute of Research for Development/University Paris 7 Diderot/Inalco), Paris, France and **G Venkatasubramanian**, French Institute of Pondicherry, Pondicherry, India

Big Data on Income Volatility Trends from 6 Million American Families

Fiona Greig and **Chenxi Yu**, JPMorgan Chase Institute, Washington, DC

Wealth Inequality, Income Volatility, and Race

Bradley Hardy, American University, **Jonathan Morduch**, New York University, **William Darity, Jr.**, Duke University, **Darrick Hamilton**, Ohio State University.

SESSION: Poverty and Precarity: New Agendas

This session is conceived as a hybrid between a regular session and a roundtable. Participants will be invited to reflect on the themes of the mini-conference with an eye to the broader conceptual agenda.

The papers address poverty through different lenses. Duvoux and Papuchon rethink subjective poverty and show how this indicator is related to degraded future orientation. Thus, it discusses the frontiers of poverty and insecurity. Morduch locates insecurity as a constituent part of the experience of poverty. He shows how incorporating insecurity disrupts standard ways of measuring poverty and complicates common notions like entry and exit from poverty.

Subjective Poverty As an Indicator of Social Insecurity

Nicolas Duvoux, Université Paris 8, Paris, France and **Adrien Papuchon**, French Ministry of Solidarities and Health, Paris, France

Poverty As Illiquidity

Jonathan Morduch, New York University

SESSION: Insecurity and Stratification

Proletariat, Precariat, Subsidiariat: The Consequences of Poverty and Income Unpredictability in the Late Post-Fordist Regime U.S. & Germany 1980-2020

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Recent research project on income volatility – a technical jargon in the socioeconomics meaning income instability – has shown the convergence of trends of impoverishment and of unpredictability of incomes, in particular in the American lower strata over the last generation (Hardy and Ziliak, 2013) – whatever the class or gender identity of the individuals. But this trend is still less obvious in Germany (Chauvel Hartung Palmisano 2017).

In the post-fordist society, this pattern of transformations of the social structure – not only in the labor markets but in the other facets of socioeconomic life – does not mean the reconstitution of a “proletariat” in the traditional sense since this new deprived stratum lacks “social consciousness”. This is also more than a new “precariat” (Standing 2011) since insecurity comes hand-in-hand with poverty: we detect an academic precariat that freelance journalists perfectly epitomize but the situation we observe at the bottom of the American social structure is much more problematic. The dissolution of the old fordist compromise means a destabilization/polarization of the median class in centrifugal trends, where the former working class becomes an unstable, unsecure, interstitial, increasingly deprived, and deskilled subaltern workers. Those subsidiary participants in the economy constitute a subsidiariat, a relevant term with different facets, of people rejected from the center core labor force, certainly vital in the day-to-day economy but having an interchangeable auxiliary role, subordinate position, subsidiary value, an underclass that subsides to lower positions in the society.

Our contribution relies on the U.S. PSID and German SOEP panel surveys from the 1980s’ to today, in order to describe the structural transformations of this subsidiariat. We also assess the socioeconomic consequences of this mixture of impoverishment and insecurity in particular in terms of health (general health status in the PSID, and obesity, morbidity, mortality, including suicide, opioid epidemics through vital statistics). We try to identify the causal link between volatility at the bottom of the social structure and decay in the quality of life.

As a conclusion, we try to decipher the consequences of those socioeconomic transformations in the context of different stratification/class theories: between the Paretian functionalist conception, the marxian- theory of conflict, and the postmodern interactionist stream, the same trend can find opposite interpretations.

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Economic Insecurity As a Factor in Social Stratification: Income Volatility, Economic Insecurity, and Educational Outcomes

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Social stratification research (both mobility and attainment studies) tends to treat social origin variables as fixed levels or characteristics over the life-course. Comparatively little attention has been paid to the role of oscillations of these levels, or changes in these characteristics, over the life-course in explaining stratification outcomes. However, social scientists have documented that one key social origin metric—household income— has exhibited increasing volatility since the 1970s (see, for instance, Dynan et al. 2007; Gottschalk and Moffitt 1994, 2009; Shin and Solon 2011). The empirical evidence of increasing volatility may threaten the validity of fixed-attribute models. What role might volatile incomes—and, more generally, household economic insecurity—play in stratification outcomes? Since traditional models have tended to theorize education as standing between parental resources and children's socioeconomic outcomes in adulthood, I ask this question with respect to educational achievement and attainment.

The paper begins by examining the role of household income volatility—the variance in transitory household income, as well as 25 percent year-on-year changes—in educational achievement (early childhood and elementary school test scores) and attainment (bachelor's degree) using data from the Panel Study of Income Dynamics and the National Longitudinal Survey of Youth 1979. The examination of both test scores and bachelor's attainment allows for the study of volatility's role in both the shorter- and longer-term. Findings show that volatility is a fickle measure with much smaller associations with educational outcomes than permanent income and other known predictors. The findings hold across both data sets, for both educational outcomes, and when negative shocks are separated from positive shocks and analyzed separately.

Cognizant of the fact that volatility is at best a rough proxy for economic insecurity or "the *risk of economic loss* faced by workers and households as they encounter the unpredictable events of social life" (Western et al. 2012:342), the paper then turns to two other measures that more closely track the theoretical definition of economic insecurity. In keeping with this theoretical definition of insecurity, these alternate measures examine only income losses and attempt to shift from observed oscillations (i.e. volatility) to calculations of risk. The first is an adaptation of Hacker et al. (2014)'s "Economic Security Index" (ESI), which was originally developed for the measurement of income insecurity trends. The second is an application of propensity score methods.

The ESI captures more dimensions of economic insecurity by adding large, unexpected expenditures (in the form of medical spending shocks), and the security provided by financial wealth, to the analysis. While this is a productive step, the ESI still only accounts for a limited number of factors that may contribute to economic insecurity. In particular, family structure transitions and spatial and temporal variation in the availability of public assistance programs, among other factors, may contribute to varying risks of income declines from year to year.

In light of this, I turn to propensity score matching methods to create a more flexible way of estimating the risk of a decrease in household income. Designed to facilitate causal inference in observational data, propensity score matching attempts to estimate selection into a treatment based on observable covariates. The resulting propensity score can be thought of as the probability of a unit—in this case, a household—being assigned to a particular treatment—in this case, a year-on-year decrease in household income over a certain threshold (25 percent is standard in the literature). This allows for a broader set of covariates to be included in the measure of economic insecurity, which is, definitionally, a risk or probability. In addition to calculating propensity scores based on analyst-selected models, the paper investigates the possibility of using machine-learning model-section algorithms to estimate the propensity score. This allows for analyst-free specification of the propensity score model and allows for the potential discovery of new factors associated with economic insecurity.

Overall, the paper makes two major contributions. First, I put the study of income dynamics in conversation with the social stratification literature. While much attention has been paid to trends in income volatility and economic insecurity, comparatively little attention has been paid to how such dynamics shape social stratification outcomes. I begin to answer this question by looking at the links between income dynamics, economic insecurity, and educational achievement and attainment. Second, I contribute to the literature on the measurement of economic insecurity by introducing a new measure that allows for greater flexibility in estimating economic insecurity as a risk rather than simply as an observed change in household income. I conclude with insights on the application of income dynamics to social stratification.

Varieties of Precarity in Europe: An Empirical Analysis of Different Types of Precarity in Comparative Perspective

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The paper focuses on the concept of precarity, whose prevalence has massively proliferated the past years in academic and public policy debates. Yet, the term remains theoretically fragmented (Della Porta et al., 2015) and empirically under-investigated (e.g. Standing, 209). Consistent with Puar (2012) and Nielsen and Rossiter (2005), the current paper argues that precarity is more than simply financial and contractual vulnerability that extant research tends to focus on (Rubery et al, 2018; Moore and Newsome, 2018) but is in fact a more complex notion, disseminated in individual's lives, affecting and being affected by different factors (Greer et al, 2018). The paper contributes by offering a broader conceptualisation of precarity, suggesting a multi-dimensional perspective, theoretically informed and empirically tested. Drawing from the literature, we identify four different aspects that define precarity: the employment aspect, the household aspect, the political participation and the financial aspects, capturing not only elements related to quality and insecurity of people's work lives, but further taking into consideration social, household and political factors, arguing that "varieties of precarity" in Europe go beyond employment (Alberti et al, 2018).

Drawing on data from the 2015 European Working Conditions Survey (EWCS) from 17 countries our analysis consists of three steps: First, we use factors analysis and create different factors that capture the four different aspects of precarity (employment, financial, household and political). In the following step and based on these four aspects, we conduct latent class analysis and create clusters, which identify homogeneous groups of individuals with similar characteristics when considering these four aspects of precarity. In the final step we "map" individuals within their countries, drawing conclusions on which "variety of precarity" is more prevalent and which is less in different European countries. Noting the limitations of the dataset, which is not longitudinal, we repeat the same analysis in order to benchmark with EWCS 2005 and compare potential changes with regard to the prevalence of the different "varieties of precarity" within the European context.

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SESSION: Race, Gender, and Volatility

Managing Economic Volatility. a Gender Perspective

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The volatility of income and expenses in the global South and the difficulty in coping with it have been widely acknowledged, discussed and debated for several decades through the concept of vulnerability. Since the pioneering work of Collins et al. (2010), the implications of income and expenses volatility in terms of financial practices have been widely documented, demonstrating the extraordinary diversity of financial practices of vulnerable households. The gender of this, however, is a forgotten dimension. Yet in many parts of the world, and as anthropology and history show, women are often the first to manage family budgets, especially in low income households (Fontaine 2008; Dwyer and Bruce 1988; Lemire, Campbell, and Pearson 2001; Zelizer 1994), including in the global North ((Pahl 1983, 1995; Burgoyne 1990; Vogler and Pahl 1993). For various reasons, women often have distinct financial practices and circuits, although there are wide variations between and within contexts, according to the gender segmentation of labour markets, social and cultural norms and the nature of patriarchy (which leads to a greater or lesser financial dependence of women and a varying degree of pooling of male and female incomes) (Johnson 2004; Guérin 2006; Garikipati et al. 2017). Apart from detailed and localized ethnographies, however, and despite recurrent feminist critiques toward the "unitary household model", most empirical evidence related to household budget management remain gender blind. Yet the political implications are considerable: if economic volatility and its management are gendered, then distinct responses and policies are required, adapted to gender constraints.

Based on data collected in South India combining ethnography and financial diaries, with 11 households followed for 10 months and data disaggregated by sex, this paper will discuss the methodological and policy implications of a gender analysis of income volatility and its management. The paper will discuss the gender of income, borrowing, repayment (since women shoulder a disproportionate share of repayment), saving and insurance, given that that practices often blur these categories (Guyer 1981; Douglas and Isherwood 1980). The specificity of the Indian case will be placed in a comparative perspective in order to draw broader methodological conclusions and policy implications.

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Big Data on Income Volatility Trends from 6 Million American Families

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This paper examines how household income volatility has changed in the past five years using administrative bank account data. Managing income volatility is increasingly seen as an important component of Americans' financial security. When families experience inconsistent and unpredictable swings in their income, it is more difficult for them to plan expenses, pay down debt, or determine how much to save. Different data sources previously used to study trends of income volatility have led to different conclusions. Using survey data such as the Panel Study in Income Dynamics (PSID) and the Survey of Income and Program Participation (SIPP), researchers found rising income volatility over the past forty years (Moffitt and Gottschalk, 2009). Other studies using administrative data from the Social Security Administration have found income volatility to have declined or remained stable (Guvenen, Ozkan, and Song, 2014; Congressional Budget Office, 2017). This paper contributes to the empirical debate on the trends of income volatility using high-frequency bank account data and highlights relevant methodological challenges.

In our previous work, *Weathering Volatility* and *Paychecks, Paydays and the Online Platform Economy*, the JPMorgan Chase Institute used administrative bank account data to document the high levels of income volatility that families experience. Forty-one percent of families experienced more than a 30 percent change in income on a month-to-month basis. This high level of income volatility is observed across the income spectrum (Farrell and Greig, 2015). Having documented the high level of volatility families experience in general, in this paper, we focus on the trend of income volatility during the past five years when there have been notable changes in the American political and economic environment. Though the US economy grew steadily and unemployment fell, real wage growth has remained flat. Moreover, changes in the labor market, such as the growing "gig economy", have led to more flexible jobs, while the rise of just-in-time scheduling practices have made hours and earnings less predictable.

This paper studies the trend of income volatility from late 2013 to late 2018 for 6 million Chase checking account customers. For each month during these five years, we measure the within-year volatility by calculating the coefficient of variation of each family's total take-home income and its sub-components for the prior 12 months. We decompose total income volatility into labor income and other sub-components and further examine how families manage different components of their income to manage total income risk. We examine the extent to which levels of income volatility differ for sub-populations across the income spectrum, age, gender, and by the industry sector in which employed persons work.

This paper adds to the methodological discussion on how to measure income volatility and its trends through the lens of administrative bank account data. It adds to existing empirical work through a distinct and new data source. It also has implications for labor market rules, such as pay frequency and predictable scheduling, potentially differentiated by industry. Given a heightened sense of economic uncertainty at the heels of America's 10-year economic expansion, it is ever more important to gauge how income volatility is changing for American families.

Wealth Inequality, Income Volatility, and Race

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We provide evidence from the PSID and the Federal Reserve's SHED data showing that wealth and income inequality in the United States vary together with economic insecurity, both by race and within income groups. The PSID shows that year-to-year income volatility has increased for black households while staying relatively steady for white households.

The SHED shows positive correlations between the propensity to experience transitory shocks and difficulty addressing them; these challenges, both independently and in combination, are more common for black than white households, and they persist after controlling for income, location, and education. These reinforcing inequalities have important implications for understanding racial inequalities, wealth-building, income stabilization, and financial policy.

SESSION: Poverty and Precarity: New Agendas

Subjective Poverty As an Indicator of Social Insecurity

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The question of who qualifies as 'poor' has been much debated in the human and social sciences. In France, any individual living in a household whose standard of living is less than 60 per cent of the median standard of living is considered poor: in 2016, this represents an income of €1,026 per month for one person, which would cover around 14 per cent of the population.

Poverty now disproportionately affects children (19.8 per cent), young adults (19.7 per cent between 18 and 29 years) and single-parent families (34.8 per cent). It is concentrated in densely crowded urban areas, whose inhabitants have not participated in the Yellow vests movement. It

is an indicator of inequality, which measures the gap to average or intermediate incomes, but fails to capture the extent to which low-income workers and retirees struggle to make ends meet.

There is also poverty in living conditions. This is decreasing due, in particular, to improvements in the quality of housing. Yet, housing is particularly expensive in France when compared to other European countries. As such, this measure does not help us to understand the social underpinnings of the Yellow Vests movement.

Subjective poverty and social inequalities

Data from the Health and Solidarity Ministry's Directorate for Research, Studies, Assessment, and Statistics (DREES) can help address this problem. The opinion barometer conducted by DREES offers one of the most robust datasets on public perceptions of social cohesion, inequality and welfare state policies in France. It allows the self-identification of poverty to be measured based on the following question: "Personally, do you consider that there is a risk that you will become poor in the five next years?"

While relative income poverty indicates the share of income that is distant from intermediate or median incomes, the sense of poverty, which affects about 13% of the population in the 2015-17 figures, highlights persistent social insecurity and a degraded vision of the future. Monetary poverty is an indicator of inequality, while subjective poverty is an indicator of lasting insecurity.

The main contribution of this subjective measure of poverty is to question the most common view of poverty which, by focusing on situations of prolonged distance from the labour market, neglects the high percentage of people who consider themselves poor. Here the vulnerability felt by workers in the service or industrial sectors appears to be highly significant given France distinguishes itself in international comparisons by highlighting a fairly low level of in-work poverty. Means-tested assistance schemes that have been developed for three decades in France have failed to address this subjective poverty.

This indicator of subjective poverty helps demonstrate the importance of key drivers of socio-economic inequalities. If, in France, those who are above the age of 60 have a lower average level of poverty than the general population, thanks to the comparatively generous public pension system, housing status has a clearly stronger impact on subjective poverty among retired people. Subjective poverty captures how home ownership is shaping inequality in contemporary France and it does so more accurately than objective poverty.

Rethinking subjective poverty

Several of the subjective measures available in the current discussion on poverty have been developed in various contexts over the previous decades. More recently, a method based on the elaboration of 'reference budgets' has been developed as a means to capture the adequacy of resources of households.

However, a common feature of most of these approaches is that they measure social norms (the minimum necessary income to live decently in a given society) rather than an individual's perception of their own social position. None of these indicators captures adequately the self-identification as poor that most accurately defines a subjective poverty indicator. This self-identification is exactly what can be found and what can help understand the scope and depth of social insecurity among French working classes.

Lastly, contrary to downward mobility, those who feel poor not only have a negative view of their past trajectory but are also disproportionately pessimistic about the future. Thus, this indicator provides a wider account of the social experience of those who are disadvantaged in society. This is the sense of despair that the Yellow Vests movement has become an expression of. Implementing means-tested assistance schemes cannot be considered a satisfying answer to the growing social instability and feeling of injustice in French society.

Poverty As Illiquidity

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Poverty is typically defined by economists as a condition marked by persistent insolvency in a financial sense: a state of fundamental, ongoing insufficiency of resources. If a poverty line z captures the minimum resources needed for living, and household income is y, then poverty means that $y < z$. Life in poverty must then be a constant struggle to meet the basics of survival captured by z. Households must be chronically trapped by their constraints with little room to maneuver, living little more than a hand-to-mouth existence. Preparing for the future must be a luxury reserved for the better-off. How could life in poverty be otherwise?

Yet simply seeing poverty as insolvency fails to capture enough. Worse, it can make it harder to see constraints and opportunities. As an economic condition, poverty is also a problem of illiquidity, and only when seeing poverty as illiquidity can behaviors, tensions, and possibilities be truly explored.

It may seem strange to elevate a concern with illiquidity. Illiquidity is the condition of not having the needed resources at the right times in the right amounts -- yet you have the needed resources at a different moment. The problem is that you cannot move the money backward and forward through time: i.e., you cannot borrow, save, or insure adequately.

Yet, in a world in which $y < z$, where are the resources to borrow, save, and insure? Where is the necessary slack?

High-frequency household data and experimental studies are yielding new insights. I describe four insights from studies using financial diaries methods that challenge common assumptions about life in poverty. So far, financial diaries studies have mainly been of interest to scholars and practitioners who work on household finance, but the high frequency data in the diaries hold basic insights about poverty and inequality as well. I connect evidence from financial diaries to wider evidence from large representative surveys and big data.

Variability of income and needs. The hand-to-mouth view of poverty persists because it is indeed hard to imagine how life in poverty could be anything but a daily struggle for survival. Indeed, it is tautological given the definition of poverty lines. Yet households have ups and downs of income and needs. Sometimes they have surplus, sometimes they are much worse off. This may seem like the most trivial observation, but it has broad implications. The variability is lost in aggregation. Sometimes this creates room to maneuver and, at other times, it tightens constraints. The problem of insufficient resources persists, but defaulting to the hand-to-mouth assumption makes it harder to see the shifting nature of constraints and possibilities across time. A different articulation is that "precarity" is not just a world of consistent downturns. It is a world of ups and downs, and the ups are important as well.

Illiquidity, not just insolvency, is a fundamental challenge. The variability of income and needs within the year means that illiquidity needs to be taken seriously. For poor households, illiquidity leads to missed opportunities and it intensifies the challenges of downturns. Households recognize the challenge, so, rather than living hand-to-mouth, poor households actively save, borrow, and make other financial arrangements to try to accommodate the ups and downs and maintain liquidity—not despite their poverty, but because of it. Poverty demands activity.

Poverty measures distort experience. Taking account of month-to-month ups and downs leads to fundamental questions about how poverty is typically measured and interpreted—and what is meant by familiar notions like "mobility from poverty." For households living close to poverty lines, poverty is seldom a binary condition – i.e., few are always poor or always not poor. Most are sometimes poor and sometimes not poor. Households that "exit poverty" as measured by their annual income or annual consumption may not be exiting poverty so much as reducing the amount of time spent in poverty during the year. It is progress, but not exit. This kind of part-year poverty requires different policy approaches than those aimed at persistent poverty.

Smoothness is seldom optimal. In the face of volatility and illiquidity, it would seem that the goal should be smoothness, in line with intuition from the permanent income hypothesis of Milton Friedman (1957). The standard economic framework for thinking about managing income variability focuses on "consumption-smoothing" as the central financial goal (Jappelli and Pistaferri 2017). The logic is that optimizing households gain when they can ensure that their consumption is smoother over time than the ups and downs of their income. Yet what may be true about consumption (and flows of utility) is not necessarily true about *spending*. Because the needs of life entail lumpy outlays and purchases of durables, the desired volatility of monthly spending may be similar in level to the volatility of monthly income, even when households optimize without constraint. Milton Friedman noted this in the *Theory of the Consumption Function* (Friedman 1957), but he downplayed the role of lumpiness by re-classifying spending on durables as a kind of saving. For the analysis of the financial lives of the poor, however, cash flow management can be a strain, and a full picture requires beginning with the observation that households attempt to smooth *and spike* their spending. Creating spikes of spending at the right time can be as much of a challenge as smoothing consumption in the face of income dips. In this context, variable income can also help with saving, as households "grab spikes" and save them aside, rather than saving slowly and steadily.

In many ways, little is truly new here; most of the pieces have been described in independent strands of literature, dissected in cross-sectional data, subjected to randomized controlled trials and field experiments, and described through ethnography. What the financial diaries offer – in fact, what they impose – is the imperative to weave strands into a coherent whole, to help show how the bits and pieces fit together. The outcome is a vision that is fundamentally different in its emphases and possibilities.