Introduction

A Hidden Inequality

An October Day

The afternoon was perfect—75 degrees and clear, not too hot and not too cold. But Becky Moore was complaining about the weather. This was the kind of weather she said was "killer" on her husband Jeremy's paycheck. Jeremy, 38, worked full-time as a mechanic, repairing long-haul trucks on the evening shift at a service center on the interstate north of their Ohio town, earning a commission for each truck he fixed. Their children were still at school when Jeremy—usually dressed in a pair of Levi's, a western shirt, and steel-toed boots—pulled his pickup out of the driveway to get to work by 2:00 PM. The children, and sometimes Becky, were fast asleep by the time Jeremy got back after midnight.

Jeremy's biggest paychecks came during the hot weeks of summer, when the tar bubbles on the roads and the pavement is too hot to walk on with bare feet. The heat burns out truck tires, and Jeremy spent most of his summer shifts patching them. Icy chills weaken batteries and alternators, and the winter months brought big paychecks too. But during the fall and spring, Jeremy's take-home pay could be as low as $600 for two weeks of full-time work. The mechanics on the day shift kept busier, and Jeremy complained that there often wasn't much left to do when he arrived at 2. Some mild-weather days, Jeremy had only one truck to work on during his entire eight-hour shift. For Becky, 34, the uncertainty of that weighed heavily, and it was only October. "I'm thinking that two weeks from now it will be crap," she said, imagining Jeremy's next paycheck.

For Jeremy, having a full-time job did not mean having a steady income. Like many of their friends, and a third of Ohio adults, neither Jeremy nor Becky has more than a high school diploma. But finishing high school used to be enough to land a solid factory job in southwest Ohio, one that came with guaranteed pay, benefits, and a pension.[1] General Motors had built cars in Norwood, about an hour away, since 1923, and for decades Norwood proudly turned out Camaros and Firebirds, America's muscle cars. When Jeremy was twelve, though, GM shut the Norwood plant along with ten others across the country, citing high costs and foreign competition. It's now more than a decade since Procter and Gamble closed the local plants that made Tide detergent, Crisco shortening, Crest toothpaste, Secret deodorant, and Head & Shoulders shampoo. This is not just an Ohio story. In August 1987, the month the last Camaro rolled off the Norwood line, about 18 percent of Americans nationwide worked in manufacturing. Since then, the percentage has been halved, as has the rate of union membership.[2] Office jobs and clerical jobs have given way to automation too, part of America's shift toward a service economy.

Fixing trucks on commission means that Jeremy, and not just his employer, bears the risks of weather, slow days, and business ups and downs. In the heat of July, Jeremy took home $3,400 after taxes—in March he took home about half that, $1,800. Now, October was threatening to be as bad as March.

Becky stood at the kitchen table, dressed in jeans, a T-shirt, and flip-flops, folding laundry in neat stacks as she talked. Her time was tight with Jeremy working the evening shift since she had to manage the household by herself. "It's hard on me mentally because I'm doing the sports, meals, school. So I have to do everything. And," Becky paused with a tight smile, "it's hard on him."

While the kids were at school, Becky also volunteered at a local animal shelter and sometimes worked cleaning neighbors' houses.

Most of the family budgeting fell to her, and her large green wallet was stuffed with receipts. Given the uncertainties of Jeremy's paychecks, Becky wasn't sure whether to pay her mortgage yet. The payment was not due for three weeks, but Becky already had the money in hand. Still, she was wavering. "I want to make sure I have enough money on hand, and I don't know what my husband will bring home this paycheck." She started talking herself into writing the check: "I just want to get it done." But then she decided to wait. Becky knew her bank account was almost empty. If she spent her remaining cash on the mortgage and Jeremy's next paycheck turned out to be as small as she feared, she would have to borrow from her older sister to make ends meet. Becky had borrowed $200 from her not long before when Jeremy's paycheck was short and they had needed gas for their minivan. "That right there was $75 alone," she said.

"I'm blessed with a sister with a guaranteed paycheck," Becky boasted, with a look that betrayed some envy. Her sister is unmarried and can usually help when money is tight. Becky pays off the debt by cleaning and doing yardwork for her. Becky knows that many others have to turn to payday lenders and other loan companies whose business models depend on trapping customers in cycles of debt. "Oh Lord no," she exclaimed when asked about those options. "I've seen so many people get in trouble."

The Long Arc

The story often told about financial success in America is that slow and steady saving over a lifetime, combined with consistent hard work and a little luck, will ensure financial security, a comfortable retirement, and better opportunities for one's children. But that is not Becky and Jeremy Moore's experience. The 2016 elections brought to the fore how frustrated so many Americans are about the fact that this is no longer, or never was, their experience either.

The often-told story is rooted in a world in which the norm is to gain education, move to better jobs, reach peak income in middle age, and then retire. Researchers call this basic arc the "life cycle," and it captures the life stages for which teachers and financial educators try to prepare students. The idea underpins nearly all advice on managing wealth and how families should save and invest over time. It is the backbone of the life-cycle theory of saving, a framework so fundamental to economics that in 1985 the Nobel Memorial Prize in Economics was awarded to Franco Modigliani, the MIT professor who elaborated its consequences for families' financial choices.[3] The advice to young families like that of Becky and Jeremy is to prepare for major life events early on: to start saving for a down payment on a house and to begin steadily saving for retirement. Later, as earnings rise, people should pay down their mortgages and set aside more for retirement. In this world, slow, steady, disciplined adherence to a budget and savings plan promises to conquer financial challenges. In the past fifty years, mastering the stages of the life cycle has become synonymous with being financially literate in America. And helping families achieve life-cycle goals drives hundreds of billions of dollars of government support for housing, education, and retirement.

Assuming that everyone can follow this trajectory is dangerous. Becky and Jeremy don't have the luxury to focus much on long-term plans. Without basic economic stability, their choices are often difficult, and they're forced to make them frequently. Short-term imperatives undermine long-term goals. Saving and borrowing need to be recalibrated with the spikes and dips of their income. The consequences of bad decisions can compound, and quickly. Stress and anxiety make it all harder.[4] Seeing that, it's hard not to question basic assumptions about financial literacy and what governments and businesses should be doing to serve working families.

As we will see through the stories and data in this book, even if Becky and Jeremy were expert financial planners trained in the life-cycle model, they still would have found it nearly impossible to follow its prescriptions. In the past, Jeremy would contribute part of each paycheck to a 401(k) retirement plan, hoping he could keep it invested. Each time Jeremy switched jobs, however, he pulled all their money from the retirement plan, even though that meant extra taxes and penalties for early withdrawal. They simply needed the money sooner than at age sixty-five. Becky and Jeremy are in a position that's increasingly common in America. Why are so many families forced to make such costly—and some might say self-destructive—choices? Why do so many families feel so financially insecure?

Becky and Jeremy

Becky lives in the same house she grew up in, a modest white bungalow in a row of similar houses, each with a square of grass in front and a cement driveway running up the side. A garden crowded with yellow flowers and a few knocked-over clay pots is tucked next to the front door. Children's pink and purple bicycles lean against the side of the house, next to an abandoned basketball and a Frisbee. Two chairs crowd the porch, where Becky chats with neighbors or just watches cars drive by.

Becky and Jeremy bought the house from Becky's mother soon after they married fifteen years earlier. The oldest of their four children is now in middle school, and Becky has placed wall hangings in the living room to remind the kids about the big things in life. One says "Family," another, "Belief."

The Moores' town could be any from a 1960s sitcom: it's nearly 90 percent white, neither very rich nor very poor. It feels safe. Both the bustle and the urban poverty of Cincinnati are an hour's drive away. The neighbors have known Becky or her mother for decades. From a distance, everything about Becky and Jeremy and their family suggests an archetypal middle-class American life.

But Becky and Jeremy's struggles indicate that things haven't worked out the way they should. When Becky is asked about their situation, she reveals how thin their margin is:

- If the main earner in her household stopped working, how many months does she think her household could manage without borrowing money? Zero.
- At what age does she believe she'll be able to retire and not have to work if she doesn't want to? Never.
- When her children are her age, does she think they'll have as much opportunity as she did? No.

- Does she believe her family's financial well-being depends on events within her control? Mostly not.

When asked if she'd rather be a little richer or have a steadier, more stable financial life, Becky doesn't hesitate: she wants more stability.

Out of Control

Becky isn't alone. In 2014, the Pew Charitable Trusts asked more than 7,000 Americans the same question, and, like Becky, 92 percent of respondents chose stability over mobility.[5] The researchers were struck by the response and weren't sure what the answers meant. The American Dream has historically been about rags-to-riches mobility, about moving up the income ladder. Although the survey set up stability and mobility as competing goals, there's no reason why this should be an either-or proposition: the daydream about mobility *is* the daydream of the fatter paycheck that makes it easy to save and pay bills. But if most people saw moving up the income ladder as the ticket to financial stability, their answers would favor mobility. Seeing the clear preference for stability over mobility implies a fundamental shift in America.

The lopsided response to the question signaled that there was a bigger, more complicated story about economic insecurity. Participants in a focus group revealed that they had opted for stability over mobility simply because they had given up on ever moving ahead. From where they stood, what they really wanted was greater control over their financial situations. Their expectations were ratcheted down to what they thought was possible. Why, though, do so many Americans feel out of control?

That question leads to other questions that also lack complete answers: when we read about families with middle-class incomes just scraping by, it is hard not to wonder why they don't budget better and save more. Why are so many poor families unable to get on a better path? Why do families continue to build mountains of debt that they then sink beneath? Why does financial education do so little to improve financial outcomes?

Part of the story is surely connected to widening inequalities of income and wealth—the frustration of seeing a small part of the population rocket ahead while the rest struggle to keep their place—but inequality alone cannot account for problems that have to do with saving, debt, and budgeting. The available explanations for those problems tend to come down to failures of personal responsibility, lack of knowledge, or insufficient willpower. Yet those explanations don't reveal why Becky and Jeremy are struggling. Like so many others, they work hard. Becky aced a standard test for financial literacy, and she never goes shopping without a handful of coupons. Nor are their challenges a short-lived result of the Great Recession.

We have both spent our careers concerned with the finances of low-income families—Jonathan Morduch as an academic economist and Rachel Schneider as an expert on financial services—but in recent years we have found ourselves less and less able to answer basic questions about American households today. Normally we would turn to government reports and surveys for perspective, but they offer only high-altitude views. Even the most detailed national surveys are usually only collected once a year, and they seldom follow the same families over time. When researchers track families, they usually do so with a year's gap between surveys. We suspected, though, that a vital part of the action was happening from week to week and getting lost in the annual sums. Moreover, surveys only showed what families were earning, spending, or investing, not what they were wrestling with during the year, what they were going without, or, most important, why they were making the choices they did. The only way we knew of to find the missing pieces was to spend time with Becky and Jeremy and households like theirs.

One of us (Morduch) had previously been part of a research project designed to understand the financial lives of families, though in a very different context. That project took place in the slums of Delhi and Dhaka, and the townships outside of Johannesburg, places far removed from communities in the United States. Most of the families involved in that study lived on less than two dollars a day per person, a sum so small that it is hard to imagine how they survived through the year, much less moved forward economically. To understand how they did, the research team developed an approach based on "financial diaries" that gave a day-by-day picture of financial choices made over the course of a year.[6]

The goal was to take a sustained look inside families' lives by tracking everything they earned, spent, borrowed, saved, and shared in careful detail over time. We have adapted that same approach for this book. The resulting "diaries" are not diaries in the usual sense—the data were recorded by our team of researchers during conversations with the families—but, like traditional diaries, they capture the personal, sometimes intimate records of daily experiences, mundane and profound, week after week.

Year-to-Year Instability: The Tightrope

When we started this project, most evidence on the insecurity of American families was drawn from a single research project, the Panel Study of Income Dynamics (PSID), run by the University of Michigan.[7] The power of the PSID lies in its extraordinary longevity. Starting in the late 1960s, researchers began following the same households year after year. As the years went on, the survey included data on the respondents' children, who were also followed, and then their grandchildren. The data that emerged challenged fundamental assumptions about how Americans earn and spend. By turning attention away from the life-cycle arc, with its implications for managing long-term wealth, researchers began to realize why so many people were finding the commonsense advice spun from the life-cycle arc impossible to follow.

The evidence supporting the slow rise and fall of income as depicted by the life-cycle arc came from plotting the earnings of different people, arranged from youngest to oldest, in a given year. This kind of "age-earning profile" is constructed using a snapshot of all earners at a moment in time, grouped by age and education. According to national data for 2013, for example, men like Jeremy in their late twenties and early thirties who did not attend college earned about $37,000 a year on average. The same data show that men in their late fifties with a similar education earned around $50,000 on average. And, turning to older men, similarly educated retirees earned several thousand dollars less. This same kind of up-and-down arc of annual earnings holds for other groups as well. (Average income for men with college degrees, for example, peaked above $80,000 in 2013.) No matter the level of schooling, an arc emerges from cross-sectional snapshots of the average earnings of people at different ages.[8]

These averages, though, can mislead. One problem is that the age-earning profiles conflate the effect of age and the effect of birth year: men who were thirty in 2013 were born in 1983, while men who were sixty-five in 2013 were born in 1948. The earning differences between the two groups likely involve more than their age differences. The averages also make it impossible to see variation within the groups. The PSID instead allowed a view of the changing incomes of the *same* people over time, and the new pictures it provided often diverged widely from conclusions drawn from the cross-sections underpinning the life-cycle arc.[9]

Finding "a striking degree of economic turbulence," the Michigan-based researchers saw that for many families the pattern of income was hardly a smooth upward glide.[10] Incomes were volatile, sometimes rising or falling sharply from one year to the next. A report described economic and social trajectories as "disparate and chaotic" relative to the life-cycle arc.[11] Most of the poor weren't poor forever. And people who weren't poor most of the time sometimes had stints of poverty. Even the rich took their share of hits. The turbulence showed that economic life in postwar America was far from static. Some families were experiencing mobility, moving up or down the income ladder in permanent ways. But many families were simply getting knocked around.[12]

The patterns were dutifully reported in academic papers, reports, and books. By 2015, the PSID had been the basis of a remarkable amount of analysis, filling 2,601 academic studies, 68 books, and 492 book chapters. Yet the thousands of figures and tables did little to shift the popular narrative about what it takes to be financially successful in America: the image of a slow and steady upward progression over a lifetime was hard to dislodge in favor of an image of turbulence. We found when talking to families, however, that the kind of year-to-year income volatility revealed in the PSID was usually a critical context for their stories.

The PSID highlights major misfortunes, the kinds of large swings that show up in annual data: jobs lost and marriages unraveled, illnesses and disabilities. These are the kinds of catastrophic losses that transform lives, and they are one part of the stories in this book. The Yale political scientist Jacob Hacker calls the challenges revealed by the PSID "the new insecurity," writing that incomes have been "rising and falling much more sharply from year to year than they did a generation ago. Indeed, the *instability* of families' incomes has risen faster than the *inequality* of families' incomes."[13] The economic journalist Peter Gosselin likens the instability to balancing on a high wire without much of a safety net.[14] His book *High Wire: The Precarious Financial Lives of American Families* was published in 2008, just as the recession hammered the nation, wiping out wealth and housing investments. The recession reminded Americans that we can no longer take for granted the promise of stability, security, and continual progress.

The word "precarious" now arises often when Americans talk about their financial lives. It captures a heightened sense of anxiety, a feeling of walking a tightrope with a fear that the next misstep or piece of bad luck could be the one that knocks a family off course, perhaps irretrievably. The sense of precariousness has led to the creation of a new word, "precarity," to describe the condition of living a precarious existence. Related conversations are active all around the world, and especially in Europe, where precarity has become *precariedad*, *precariedade*, *précarité*, *precarietà*, and *prekarität* in Spanish, Portuguese, French, Italian, and German, respectively. Alongside fast-food workers, janitors, and maids with contingent jobs and variable hours, the European idea of precarity is often applied to web designers, freelance journalists, and other professionals making a living without the stability of 9-to-5 days and forty-hour weeks. In Japan, the word is applied to "freeters"—a phrase formed from the German *frei arbeiters*, free workers—young people who are unable to secure steady full-time work and find themselves forced into unemployment or strings of part-time jobs.[15]

As more data accumulate, views of Americans' growing insecurity are coming into focus.[16] Using an updated version of the PSID, researchers found a 30 percent increase in year-to-year income volatility between 1971 and 2008.[17] A 2015 update by the Pew Charitable Trusts found that, on average, nearly half of households had a gain or loss of income by 25 percent or more from one year to the next.[18] The insecurity is not a product of the 2007–9 recession. Instead, the Pew team found that this level of volatility emerged in the 1980s and has persisted through several economic cycles.

Moreover, the probability of large financial losses has increased over time.[19] Some households bounce back from their losses, but others don't. Looking back to households whose income dropped by more than 25 percent in 1994, a third had failed to regain that ground a decade later.[20] The year-to-year income volatility seen in the PSID cannot be dismissed simply as "noise" or statistical outliers around the arc of the life cycle from youth to retirement. For many families, the noise *is* the story.

The PSID findings have helped researchers see how ideas about America have been stuck in the past. Ways of thinking that were adopted at a time when middle-class jobs came with steady paychecks and benefits no longer make as much sense in today's economy. The income swings revealed by the PSID are big, and, not surprisingly, the proposed solutions are big as well. Experts have proposed rescuing families from the tightrope by strengthening the safety net, patching America's retirement system, creating new laws with stronger workplace protections, rethinking trade policy, and reforming financing for housing and education. For families, proposed solutions center on building big reserves of savings for emergencies.

Many of the families we met in the Diaries project have experienced the year-to-year instability documented in the PSID. But their diaries also show how ideas of "precariousness" and precarity are incomplete and sometimes misleading, and they point to fundamentally new ways of tackling economic instability.

Month-to-Month Instability: The Rocky Road

After spending a year with Becky and Jeremy Moore and the other Financial Diaries households, it became clear that they face challenges beyond the big ones that show up in the year-to-year data of the PSID. During our year of data collection, spanning 2012–13, the Moores, for example, lived in the same house, drove the same cars, had the same jobs, remained married, and were basically healthy. Yet they felt financially insecure. The tightrope metaphor captures only part of their situation. The families we met are not balancing on a high-wire so much as driving on a very rocky road, hitting bumps and potholes, getting slowed down, knocked off course, and sometimes stopped entirely. Things are already out of control. Families are dealing with today's hazards while also trying to prepare for whatever might be waiting around the bend.

The PSID allowed researchers to take a big step into people's lives by viewing events year by year.[21] The Financial Diaries get even closer. By following Becky's cash flows (in addition to her overall income and wealth), we zoom in from a year to a month, a week, and, in some cases, a day. The Diaries allowed us to create a moving picture of her life—one that reveals the costs of instability.

In getting to know families over a year, we collected data on more than income, spending, and wealth. We also tracked households' situations, and we documented why they made the choices they did. When Jeremy changed jobs, we learned why. We watched as Becky tried to save money by not purchasing a prescribed medicine, and we saw how Becky and Jeremy stretched to give their children a "normal" Christmas.

Unless you track Becky's occasional earnings from cleaning houses and Jeremy's biweekly paychecks week by week, the extent of their financial instability is hard to see. Of course, Becky and Jeremy would benefit from higher incomes, but if those incomes came with the same uncertainties as today, the Moores would still face basic challenges. The Financial Diaries reveal that a fundamental financial challenge for them and so many other American families—regardless of their income level—is coping with moments when expenses must be paid but income is not yet in hand. The Diaries make salient the critical distinction between not having money at the right time versus *never* having the money, or in more academic terms, illiquidity versus insolvency. Too often illiquidity is mistaken for insolvency (or, not having money at the right time is mistaken for never having money). One consequence is that it becomes much harder to recognize the fundamental problems created by uncertainty, and to identify solutions. The Diaries reveal the volatility in sharp relief. They also show the strategies that families create to limit the impact of volatility, sometimes at high cost. In doing so, the data and stories challenge common assumptions about how a large segment of American households earns, spends, borrows, saves, shares, and plans.

The stories show how families often must navigate toward seemingly contradictory goals. Families work hard to stabilize their month-to-month spending while also needing moments when they can spend in large spikes. They seek ways to maintain the strict discipline of saving while simultaneously permitting flexibility in case of emergencies. They save actively but do not build balances that last over time. They grasp for middle-class lives but sometimes find themselves in periods of poverty. By following their dilemmas, and seeing their responses, we can begin to discover ways to address America's hidden inequality—an inequality in exposure to risk and in access to dependable ways to cope.

How the Financial Diaries Work

Our main aim was to see families through a lens that extended beyond measuring yearly income, spending, and wealth. The key shift was to follow cash flows. By watching the movement of money in and out of households, we aimed to see exactly where and when families got tripped up or succeeded. To do that, we designed surveys to record every dollar each household earned and spent. The surveys also tracked all funds saved and borrowed, any donations made to charity or friends, gifts given or received, and government transfers. To the extent possible, we noted every financial exchange, whether it was paid electronically or in cash, even if it was simply a gift of time (as when Becky cleaned her sister's home) or if it was paid in kind (such as preparing a meal for a sick friend). We also captured the time of each transaction and where it occurred.

Our team of ten researchers lived in the Ohio, Kentucky, California, Mississippi, and New York communities where the studies took place. Researchers often met families in their homes, sitting in the living room or at the kitchen table; other times, they met at a local library or restaurant. It sometimes took months to build trust and fill in gaps in the stories we heard. Some details were too painful or embarrassing for participants to reveal at first. Sometimes life was just too hectic to keep track of everything. But we were ultimately able to see parts of a household's economic life that sometimes even close friends and relatives could not. We occasionally made discoveries that even members of the household were unaware of. From the 235 households surveyed in the final sample, we collected records of just under 300,000 cash flows over the course of 2012 and 2013, including everything from buying a pack of gum at the local convenience store to making a down payment on a newly purchased car.[22]

One thing we could not figure out was how to be invisible in family members' lives. We knew that our presence surely had an effect on the people we got to know, at least some of the time. Some were happy to see us go at the end of the year; the meetings could be tedious for households and researchers alike, since we insisted, as professionally as possible, on noting all relevant specifics of every financial transaction. Others wished we could stay longer. Meeting with researchers had helped them stay focused on their finances, and some were motivated simply by the chance to have outsiders get a close-up sense of the challenges they faced every day. In the end, we simply accepted that participating in the study had consequences for the households. In the final interview, researchers asked members of each household how they thought their lives had changed as a result of their involvement in the project. About a quarter said the experience was neutral, while the rest said that it had affected some of their choices. Sometimes we distracted them from precious family time or took up time that would otherwise have been used for chores. But most said that our presence helped them pay more attention to their finances and see things as part of a bigger picture. For them, we likely saw a better version of what might have happened had we not been there. In light of that admission, we were struck even more by the crises, moments of regret, and persistent struggles that we observed.

The intensive nature of the Diaries meant that forming a nationally representative sample was impossible. Instead, we aimed for the richest, most complete stories we could glean from a select group of households. We had long conversations about the kinds of households to include in the study, debating whether to aim for a broad sample that reflected a wide variety of communities, or whether we should spend a lot of time in only a few. In the end, the sample was restricted to households with at least one working member, but otherwise the households were diverse—they included recent immigrants, members of families that had been in the United States for generations, single mothers, grandparents, agricultural workers, salespeople, office workers, and traditional nuclear families. Participants were Hispanic, non-Hispanic white, South Asian, and African American. None of the households was among the richest or the poorest in their communities. Focusing on working households came with certain restrictions, though. Others, for instance, are better placed to speak to particular issues faced by retirees or those who survive largely on public assistance.

For our research, we settled on four sites: communities in southwest Ohio and northern Kentucky; the San Jose, California, region; eastern Mississippi; and, closer to home for us, Queens and Brooklyn in New York City. The choice of locations shaped our window. The towns where we worked in Mississippi are several hours removed from the well-photographed hamlets and "wrong side of the tracks" neighborhoods of the high-poverty Mississippi River Delta. Our site was to the east, closer to the Alabama border, where the region still boasts a range of manufacturing jobs and benefits from its proximity to Mississippi State University in Starkville. Similarly, the site we chose in San Jose abuts Silicon Valley's technology corridor, differentiating it from inner-city Los Angeles or the heart of the agricultural Central Valley, two California sites with persistently high rates of poverty. In Ohio and Kentucky, we worked in and around Cincinnati, where factory jobs have steadily given way to positions in the retail and service sectors. The communities in New York reflect the city's diversity: we spent time with African American families with generations of history in the United States, and with recent immigrants from Ecuador, Colombia, India, and Bangladesh. None of the sites we chose was thriving, but all had opportunities.

We knew that understanding the struggles of poverty and near-poverty would be an important part of the story. With that in mind, we subdivided the households into income groups based on the U.S. Bureau of the Census's Supplemental Poverty Measure (SPM), which adjusts for, among other things, regional variation in cost of living—that is, the fact that Becky's dollars go a lot further in her Ohio town than they would in Brooklyn or San Jose.[23] Just under a quarter (23 percent) of households were poor; they had resources during the year that placed them below the SPM poverty line. We grouped another 31 percent as "near-poor": above the SPM poverty line but below 150 percent of the line. Twenty percent had income during the year that placed them a notch above that; we label them as "low-income" and include households with annual resources between 150 percent and 200 percent of the SPM line. And the remaining 26 percent are labeled "moderate income"; they earned at least twice the amount defined by the SPM line.[24] Twice the local poverty line tends to be close to the median household income in many areas—for example, the poverty line in the Cincinnati metro area for a family with two adults and two children was $23,415 in 2012, while the median household income was just above $54,000—so our sample includes both poor families and families safely in the middle class.[25]

Local organizations put us in contact with families, and those families introduced us to other families. More than 400 households initially agreed to take part in the Diaries, but not all stuck with it. The project required intense commitment from very busy people.[26] Some dropped out as soon as they realized how deep the questions would go; others simply left when participating in the U.S. Financial Diaries no longer fit with their other obligations. In the end, the members of 235 households opened their lives to us for a full twelve months.[27] They entrusted us with their stories—and sometimes their secrets—and we have aimed to be as accurate as possible in sharing the truths revealed within them. To maintain their confidentiality, we have changed names and identifying details in this book.

"At first it seemed to be kind of a hassle," Taisha Blake, a nurse's aide from Cincinnati, complained about the project. "I have to write down all that I spend and set out these blocks of time to meet." Gradually, though, she shifted her view: "But then, to know that maybe, just maybe, things that I'm going through financially could help someone else not have to experience that payday loan cycle, maybe my experience could help someone else, that's what kept me going."

The Price of Steadiness

The last time we met with Becky, on a visit to Ohio after the formal record keeping of the Financial Diaries was complete, her mood had lightened. Jeremy had found a new job. His old position was closer to home, but he was fed up working the evening shift with all the uncertainties, volatility, and family disruption that came with it. After he gave notice, his boss had tried to keep Jeremy by offering him daytime hours. But Jeremy had grown so frustrated that he worked his final two weeks, collected his last paycheck, and left.

Jeremy was still a mechanic fixing the trailers of 18-wheel trucks, but he was no longer on commission. Now he was working hourly and getting overtime: $17.50 an hour before taxes, paid weekly. He was guaranteed a minimum of forty hours a week. The yearly pay *was lower* than that of his old job, and Jeremy now had to commute up to forty-five minutes each way. But Becky and Jeremy felt that they were in a better situation; the newfound stability had lifted a weight from their shoulders.

When a longer commute for less pay for the same work is a step up, it's time to fundamentally rethink our understanding of the challenges facing working Americans.