

Just Give People Money
But How?

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Just give people money. But how?

Just give people money. The idea is as simple as it is radical. At least it was radical until the coronavirus pandemic. With sluggish wages and household savings eroded by the pandemic, many struggling households simply need cash. Giving cash has turned out to be a powerful policy tool – its use is flexible, and households can spend it on their most pressing needs, whatever those are.

But not all money is the same. The amount matters, obviously, but the timing matters too. When you're threatened with eviction, to take an extreme example, having the right amount of money at the right time can be the difference between housing stability and homelessness. The same amount of money received even a few weeks later might not help.

That probably seems obvious, but policies designed to aid the finances of American families do not focus much on cash flows and the challenges they create in getting through the month or year. The bigger focus has been instead on building long-term saving, income, and wealth. To be successful in the long term, however, households need to be successful in the short term too.

Short-term cash flows need more attention.

That was one of the big lessons that we took away from spending a year tracking the [financial lives of American families](#). Our research team [spent a year](#) with low and moderate-income households in Ohio, Kentucky, Mississippi, California and New York. In [The Financial Diaries](#),

we explored how money moves through people's lives. What emerged was a picture of month-to-month volatility, with both income and spending needs rising and falling from month to month. The core challenge for families was often how to deal with the mismatch between earning and spending needs. On an annual basis, the families may have earned enough to cover the costs of their lives, but in any given month, they might be under water. They lacked the financial cushion, tools and basic predictability that would have made it possible to cope with bad weeks or months. Timing really mattered.

A group of mayors, from Newark to LA, has responded to America's money needs by forming a coalition, Mayors for a Guaranteed Income. All are committed to piloting programs that provide households with regular cash transfers. Unlike Universal Basic Income, the money is targeted only to low-income residents. In some pilots, the transfers are \$500. Sometimes \$1,000. Usually monthly. These kinds of cash transfers would surely help the families we got to know.

But our research pushes us to ask: Why monthly? There's nothing sacred about steady monthly cash transfers. Some people with jobs are paid weekly. Others are paid regular amounts throughout the year and then get big year-end bonuses. Some government policies, like Social Security, provide steady resources month by month. Others, like the Earned Income Tax Credit, give large lump sums once a year.

For some of the households we studied, a steady payment, perhaps \$100-\$250 every week, would be the best way to keep bills paid and food on the table. If that's the goal, then giving money in the form of steady flows makes most sense.

But if the goal is to foster big investments and build assets or protect from unpredictable or unavoidable harms, it may be the wrong policy. Receiving \$100 for 50 weeks is not the same as

receiving \$5,000 at once. The extra \$100 each week might melt right into weekly spending. A single \$5,000 check, in contrast, is more likely to go toward a [big expense](#) like a car, a tuition bill, or a security deposit that might otherwise be paid for with credit. It takes effort for people to turn small flows into big sums, which is why the large tax refunds associated with the Earned Income Tax Credit are one of the most powerful and popular parts of the current safety net.

Debates over flows and lumps already shape macro policy. In 2009, during debate over [how to recover from the Great Recession](#), some argued for giving American households stimulus payments in small, regular installments that would likely be spent quickly. Others pushed for big, one-time, impossible-to-ignore checks with greater political salience. Advocates for small, steady flows won the argument.¹

But when a similar question came up in the Biden administration's American Rescue Act of 2021, policymakers split the difference between flows and lumps. A centerpiece of the legislation is a refundable child tax credit for families. In the [initial plan](#) half the money is to be distributed monthly, from July to December 2021, with the other half distributed as a large, single lump at tax-time in 2022. If families want all the money as a lump, they can [opt out](#) of the [monthly installments](#) and get an even larger check in 2022. Tracing how families respond to these variations in the form and timing of funds will offer politicians useful insight as they weigh future versions of a child credit—or, of course, any other cash transfer program.

Insight is also coming from innovative pilots being run by cities. In Compton, California, for example, the way that timing matters is being tested by giving money to a group of low-income residents every two weeks for two years. Another randomly-assigned group is instead getting the

¹ President Obama reflects on the choice in *A Promised Land* (Crown, 2020), p. 524.

same money in total but disbursed as larger sums every three months. [The pilot](#), called [The Compton Pledge](#), will open another window on how the cadence of money—not just the amount—[shapes households' outcomes](#).

Another way to think about the timing for cash support is to provide it at the moment that it is most needed. [Canary](#), a new social enterprise launched in response to the learnings of the *Financial Diaries* research, delivers cash transfers to workers in moments of financial hardship. This work will help us better understand how lump sums given in direct response to a specific need work to build financial security. Because the cash transfers are funded by employers and employees together, the fund aims to be less like a hand-out, and more like a (collaborative) hand up. Canary is built around the idea that money matters, timing matters, and the source of the money matters too. Receiving emergency assistance from a collective pool is not charity; it is a draw from a shared insurance mechanism. In a similar way, part of the power of the Earned Income Tax Credit is that it is [not just money](#); it is seen as a reward for hard work.

Technology and data-processing are making it easier to make more of these ideas viable. In principle, it is now technically feasible to customize disbursements to households to exactly when and how they want to receive them. Some might want their EITC payments in one big lump, the way that they work now, for example. Others might prefer part of their EITC payment in the middle of the year when a tuition bill comes due, or when timing is right for a particular investment.

As America imagines a 21st century safety net—and the roles of governments, businesses, and communities—some of the solutions will involve just giving money. The right amount of money at the right time can make a big difference for people, especially for working families without

much financial slack. That requires beginning with the idea that in fact it's not *just* about money.

How and when matter too.

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