



**ROOSEVELT
INSTITUTE**



THE
SAMUEL DUBOIS COOK
CENTER ON SOCIAL EQUITY
AT DUKE UNIVERSITY

Understanding the Effects of Windfalls: What People Do with Financial Payouts, and What It Means for Policy

Katherine Rodgers, Sydney A. Grissom, Lucas Hubbard, and William A. Darity Jr.

May 2023

About the Authors

Katherine Rodgers is currently a senior associate at Kroll, where she is a member of the Impact Office and creates, measures, and evaluates Corporate Social Responsibility and ESG programs on a global scale. She previously was a research assistant at the Samuel DuBois Cook Center on Social Equity at Duke University.

Sydney A. Grissom is currently an exchange-traded fund and index investing analyst for BlackRock. Her interest in researching wealth inequality began during her time as a participant in the inaugural class of the Hank and Billye Aaron Young Scholars Summer Research Institute at the Samuel DuBois Cook Center on Social Equity at Duke University.

Lucas Hubbard is an associate in research at the Samuel DuBois Cook Center on Social Equity at Duke University.

William A. Darity, Jr. is the Samuel DuBois Cook Professor of public policy, African and African American Studies, and economics at Duke University, and the founding director of the Samuel DuBois Cook Center on Social Equity at Duke University. Currently a senior fellow at the Roosevelt Institute, Darity has received significant recognition for his research surrounding intergroup disparities, the racial wealth gap, and Black reparations in America—as well as his suggested policies for alleviating persistent inequalities. Among other accolades, in 2012, he received the National Economic Association’s Samuel Z. Westerfield Award, the organization’s highest honor.

Acknowledgments

The authors wish to acknowledge and thank Eugenia Conde-Dudding and Omer Ali, both of the Cook Center at Duke University, for their help in researching this report. Additionally, the authors would like to thank Ioana Marinescu for her 2017 Roosevelt Institute report [*No Strings Attached: The Behavioral Effects of Cash Transfer Projects*](#). Our report dovetails with Marinescu’s, reviewing similar portions of the literature while also incorporating more recent research (including some regarding COVID-19-era payments) and relevant findings outside of cash transfer programs, specifically insights into individual behavior following sizable inheritances and bequests. Beryl Frishtick and Claire Greilich, as well as Roosevelt Institute staff Sonya Gurwitt, Suzanne Kahn, and Shahrzad Shams, also contributed to this report.

About the Samuel DuBois Cook Center on Social Equity at Duke University

The Samuel DuBois Cook Center on Social Equity is a scholarly collaborative that studies the causes and consequences of inequality and develops remedies for these disparities and their adverse effects.

Concerned with the economic, political, social, and cultural dimensions of uneven access to resources, opportunity, and capabilities, Cook Center researchers take a cross-national comparative approach to the study of human difference and disparity. Considering both global and local shortcomings, Cook Center scholars not only address the overarching social problem of general inequality, they also explore social problems associated with gender, race, ethnicity, and religious affiliation.

More information about the Cook Center can be found on its [website](#).

About the Roosevelt Institute

The Roosevelt Institute is a think tank, a student network, and the nonprofit partner to the Franklin D. Roosevelt Presidential Library and Museum that, together, are learning from the past and working to redefine the future of the American economy. Focusing on corporate and public power, labor and wages, and the economics of race and gender inequality, the Roosevelt Institute unifies experts, invests in young leaders, and advances progressive policies that bring the legacy of Franklin and Eleanor into the 21st century.

ABSTRACT

What happens when individuals receive infusions of money—large or small? This report reviews the evidence around windfalls and other positive income jumps in varying amounts. Many factors affect individual consumption and savings behavior in response to such infusions, such as the framing of payouts, the prior income and wealth levels of the individual or household, and the size, regularity, and expectation of such payouts.

Windfalls of a significant size can unlock many opportunities for investment and entrepreneurship. Consumption, following substantial windfalls, generally appears to be restrained. Often, those recipients who experience financial trouble after winning or receiving windfalls were already under extreme financial stress.

Reviews of household financial behavior following tax refunds (typically, a relatively small infusion) suggest a spike in consumption. On the other hand, tests of income supplement programs, which distribute payouts that are much smaller than lottery winnings and have less of an effect on individuals' wealth, indicate no evidence of financial irresponsibility or increased government dependency. Instead, they indicate higher levels of well-being for recipients.

Additional tests of such programs and related initiatives could be valuable in helping move all Americans toward a brighter financial future.

I. INTRODUCTION

If mainstream media coverage is to be believed, then only misfortune awaits those who suddenly receive a large sum of money, via windfalls or any other purportedly undeserved shortcut to prosperity. The story of Jack Whittaker, for example, has been well-publicized as a cautionary tale: After winning a \$315 million Powerball lottery in 2002, Whittaker would go on to experience a divorce, multiple lawsuits, and the overdose deaths of two family members, among other hardships (Nocera, 2012).

The notion that monetary windfalls seem to bring bad luck and foster poor decision-making is so ubiquitous that, in 2012, a popular satirical website ran a story with a simple yet brutal headline: "Powerball Winners Already Divorced, Bankrupt" (The Onion, 2012). A more recent, and more substantive, corresponding tale from the COVID-19

era is that of Sho Taguchi, the unexpected recipient of the pandemic relief budget for the entire town of Abu, Japan. After accidentally being wired 46.3 million yen, equivalent to more than \$350,000 USD, Taguchi proceeded to lose the money at a casino (Ueno & Ives, 2022).

Windfalls—loosely defined here as any shock to an individual’s or household’s financial status stemming from lottery winnings, inheritances, tax refunds, dividends, government payouts, or any similar, non-primary source of “normal income”—provide ample opportunity to both question purchasing habits and subsequently (if not preemptively) allocate blame for flagrant or irresponsible spending. This skepticism serves many purposes. First, it justifies austerity, by convincing us to assume that any additional money delivered to individuals or households will be wasted. It makes “proper” money management by the layperson appear unattainable, if not impossible, thus aiding the promotion of the professional money management industry and heightening financial inequality.¹ Finally, dismissal of windfalls as a viable policy tool prevents the opportunity for more robust analysis of the effects of government payouts. This is tautological but important: Without systems in place that give money directly to individuals, it is impossible to understand precisely what happens *when* money is given directly to individuals. In this fog of ignorance, anecdotal cynicism and urban mythology easily assert dominance.

However, according to the best available evidence, it appears that windfalls can help unlock many economic doors. On a small scale, windfalls can help alleviate acute financial stress, as seen during the COVID-19 pandemic when stimulus checks and child tax credits bolstered unemployment relief. By June 2022—well after the last stimulus checks were issued in the spring of 2021, following the expiration of expanded unemployment benefits in the second half of 2021, and after the expiration of the Expanded Child Tax Credit in December 2021—more Americans reported being under financial stress than at any other point since August 2020 (Perez & Byron Campbell, 2022).

Large windfalls, including lottery wins and substantial government payouts as redress for past harms, can provide an antidote to financial stress. Significant infusions of wealth can be transformative, by providing “a means of social mobility and solidification of social, political, and economic status,” and by breaking repeated intergenerational

¹ Despite weathering a financial crash in the mid-2000s, the asset management industry has nearly tripled in size from 2003 to 2019, growing from \$30.7 trillion in assets to \$88.7 trillion (Heredia et al. 2020).

patterns of familial placement at the bottom of the socioeconomic distribution (Addo & Darity, 2021).

Understanding the impacts of windfalls on their recipients is an important task with both short-term and long-term policy benefits. One need only consider the turbulent conditions of the past few years to see windfalls' potential. As the COVID-19 pandemic caused the world to collapse into unprecedented, deep economic waters, windfalls became more important and visible than ever: The potential for inheritances increased in line with rising mortality rates, Americans needed (and continue to need) income supports through government payments, and high unemployment—and a lack of economic alternatives—induced purchases at “essential” state lotteries (Allsop, 2020).

The pandemic showed how little we understand the effects of windfalls, which will continue to be relevant in the modern, volatile economy. Anytime unemployment rises, businesses fold, and rent and utility bills continue to accumulate, many people will rely on financial injections—from family, friends, and the government—to survive. How individuals respond to these injections is important in gauging their impact on the crisis.

Understanding the effect of windfalls is not relevant merely during economic downturns. In the United States, the concept of reparations for Black descendants of American slavery has grown in popularity in recent years, and there has been a notable increase in support from white Americans for such a proposal.

A 2000 survey conducted by Dawson and Popoff (2004) found that only 4 percent of white Americans supported monetary payments as reparations for Black Americans. A more recent survey suggests the proportion is now closer to 30 percent (Nteta, 2023). Since younger people are disproportionately more inclined to support reparations, it makes sense that this number will continue to climb (Nteta, 2023).

There are many criticisms of monetary payments as reparations. Common arguments include: these windfalls would be wasted, they would not improve the financial situation of Black Americans, and they might even leave Black Americans worse off (Nance-Nash, 2021; Harrison, 2022). Widely held, inaccurate, and racist beliefs about dysfunctional financial behavior of Black Americans as the foundation for racial economic inequality leads to a conclusion that monetary reparations will be ineffective in eliminating the gap. According to this perspective, if eligible Black Americans do not change their

financial mindset and behavior after receiving financial reparations, the act of restitution will be empty.

Yet, supposedly “defective” financial habits of Black Americans are not the source of Black-white wealth disparity. Rather, the disparity is a consequence of federal policies, including the racially uneven land distribution policies in the late 19th century and the racially uneven home-buying subsidy policies in the 20th century (Darity & Mullen 2020, p. 28-47). Moreover, evidence detailed in this report suggests that windfalls improve the mental and emotional well-being of recipients, enabling them to make better decisions.

Dispelling the myths that surround windfalls, and the expected outcomes of different types of windfalls, is imperative if we hope to create better policy and build a just society.

This report aims to answer a simple, pressing question: What happens when individuals and households receive infusions of money, expected or unexpected? Economists have been preoccupied with this question for a long time. In general, any paper concerning the permanent income hypothesis, first proposed by Milton Friedman in 1957, explores this question. As a result, the economics literature is ripe with relevant theoretical and empirical analyses, past and present, which allows us to provide a critical synthesis and summary of the nuanced factors affecting post-windfall behavior.

We divide this analysis into two sections: The first focuses on large payouts (such as lottery winnings and inheritances), and the second focuses on smaller payments or infusions (like income supplements or stimulus checks). Our analysis makes it clear that the evidence alleviates many popular fears surrounding windfall infusions and underscores the benefit of these payments, although the benefits are contingent on the specific circumstances of the recipient and the form and size of the windfall. We conclude with thoughts on the future role of windfalls, and what they could provide as the nation considers responses to the ongoing economic crisis and beyond.

II. CONSIDERATIONS REGARDING WINDFALLS

The question “how do people spend windfalls?” is misleadingly simple. The way individuals behave after receiving a windfall depends on many factors, such as the framing of the windfall (e.g., whether it’s labeled as a “rebate” or a “bonus”), how the windfall was received, the amount of the windfall, and the circumstances of the

individual receiving it—most notably, their previous economic status, their prior experience with financial savings instruments, and even their specific personality traits.

We discuss the implications of the amount of the windfall in sections III and IV. The discussion in section V will explore the intersection of these factors, highlighting in particular the varied responses to windfalls based on the size and source of the windfall, the demographics of the recipient, and other considerations.

It is useful to begin with Milton Friedman’s theory of the permanent income hypothesis (PIH). In short, the PIH suggests that the marginal propensity to consume (or MPC) will be higher out of increments of “permanent income”—income that one can expect—than out of “transitory income”—income that arises by way of chance (i.e., an unexpected market opportunity or a “bountiful harvest”) (Friedman, 1957, p. 23).

Friedman’s logic is based on the idea that transitory income will be used by individuals to protect themselves against unanticipated shortfalls. If fortune favors someone and provides extra, unexpected income, the prudent approach will be for that person to save a large portion of this income for a future period in which fortune deserts them.

However, windfalls provide a tricky case for evaluating the PIH. Notably, as Friedman (1957, p. 28) points out, some windfalls might not be “transitory” or unexpected at all—family inheritances, for example, often are expected and accounted for in an individual’s life cycle budgeting and consumption patterns, assuming an individual can borrow against their future inherited income.

In this framework, equivalent-sized infusions from an inheritance, a lottery win, and a government income supplement program—despite all being defined as windfalls—could lead to three different patterns of financial accounting, depending on the degree to which each windfall was expected. Examples of two windfalls of differing origins, and the varying MPCs that recipients of these windfalls display, are highlighted in section III.

Applying and expanding upon this theoretical framework, it is unsurprising that empirical evidence suggests that the framing of the windfall influences the way it is spent. Epley et al. (2006) show that merely labeling a windfall as a “bonus” or a “rebate” can affect how much money is spent or saved. Research shows that people are more sensitive to losses than they are to gains, and therefore they would prefer to save rebates as a way to return to their perceived economic status quo and avoid a perceived monetary loss (Kahneman & Tversky, 1979). In contrast, people spend “bonuses” because

the language signifies new, extra, or “free” money—even if the amounts of a rebate and a bonus are equal (Epley & Gneezy, 2007; Lozza et al., 2010).

We see this behavioral response when we compare the impact of the US economic stimulus packages under Presidents Bush and Obama with the 2008 and 2009 Australian economic stimulus packages. In Australia, a greater percentage of households spent the delivered payments—labeled as bonuses—than Americans did upon receiving comparable windfalls in 2001 and 2008, both of which were labeled as tax rebates and conveyed accordingly (Leigh, 2012). Moreover, a study in Australia showed an increase in spending at electronic gaming machines when citizens received money labeled as bonuses, but no change in spending in 2012 when citizens received carbon tax compensation labeled as rebates (Buddelmeyer & Peyton, 2014). However, it’s important to note that the observed increase in spending in the bonus scenario, while statistically significant, only represented about 5 percent of the funds received (Buddelmeyer & Peyton, 2014).²

The form or procedure in which people receive windfalls affects their economic behaviors, both in terms of conditions surrounding the frequency and amount of the funds delivered. When people receive money under tragic circumstances (i.e., from bequests or life insurance payments), they are more likely to attach negative emotions to the capital. In turn, these negative “affective tags” make people less likely to make hedonic purchases and more likely to make “virtuous” or strictly utilitarian purchases—purchases that provide functional benefits (i.e., paying for educational expenses) (Levav & McGraw, 2009).³

Frequency of payment also affects spending behavior, but findings are inconsistent regarding its precise impact. Chambers and Spencer (2008) asked university students how they would spend a lump-sum payment and a monthly refund. Respondents stated that they would spend more if they received monthly refunds, but a study by Sahm et al. (2012) would later contradict these findings.

In a comparison between the 2008 US stimulus payments, which were one-time lump-sum payments and labeled as “rebates,” and the 2009 stimulus payments, which took the form of a reduction in tax withholding over two years and were labeled as

² Responses to tax refunds and other “small” windfalls are examined in further detail in section IV.

³ The authors of this study found that negative emotions are stronger drivers and determinants of behavior than positive emotions.

“credits,” researchers found that people spent almost twice as much of a one-time payment as they did from a reduction in tax withholding (Sahm et al., 2012).

However, this study did not occur under controlled conditions, but rather as a natural experiment. It is quite possible, therefore, that the 2009 spending decisions were made under different conditions than their 2008 counterparts. Later in this review, we highlight research showing that different economic situations lead to variation in post-windfall behavior (Briggs et al., 2015a).

An individual's economic behavior after a windfall gain can depend on the financial status, experiences, and approaches of the recipient, as shown by studies of the varying adoption rates of “mental budgeting” practices. Mental budgeting refers to the idea that people subdivide their finances into buckets (such as food, clothing, and transportation), and set spending limits for each bucket that they may maintain even in the face of surplus or shortage (Antonides et al., 2011).

Antonides et al. (2011) found that debt, knowledge of financial products and investments, and having established savings goals contribute to higher rates of mental budgeting practices. Conversely, higher net household income, net home equity, savings, higher education, and being male lead to less use of mental budgeting (Antonides et al., 2011). A similar survey conducted with Greek households corroborated Antonides et al.'s findings but found that males are more likely to use mental accounts than females and older individuals are more likely to use mental accounts than younger individuals (Stergiopoulou et al., 2013).

Regardless, the adoption of mental budgeting practices does not mean a higher quality of financial management, or vice versa. We highlight these budgeting practices and their varying prevalence in different groups to underscore the myriad and complicated elements that affect post-windfall behavior.

Even an individual's personality may help predict post-windfall behavior. Personality traits such as agreeableness, extraversion, and optimism are negatively associated with saving, implying that disagreeableness, introversion, and pessimism are positively associated with saving (Gerhard et al., 2018). Exposure to financial literacy training is positively associated with greater thrift, regardless of social class (Gerhard et al., 2018).

The authors of these studies emphasize that such predispositions may be important only for those who have the financial opportunity to save. In other words, one's willingness to

save and one's ability to save are not the same, and both play a role in savings behavior (Gerhard et al., 2018; Strömbäck et al., 2017). Self-esteem also directly and indirectly relates to financial behavior due to its effect on subjective financial knowledge, with higher self-esteem being associated with both increased savings and increased investment in riskier, higher-return assets (Tang & Baker, 2016).

The combination of framing and individual characteristics can intersect to produce desired outcomes. When broken down across political party lines, conservative voters are more likely to react positively to government benefits labeled as “tax rebates” rather than as “subsidies” (Dharshing et al., 2017). Correspondingly, Ackermann et al. (2018) find that people invest more in a particular subsidized asset when they receive that subsidy in the form of a tax credit rather than a grant.

The multiple variables affecting post-windfall response—from the recipient's characteristics and the circumstances surrounding the windfall, to the framing, frequency, and form of the windfall itself—underscore the difficulty of making sweeping theoretical claims about the effects of such payouts. Moreover, these variables highlight the danger in a wholesale rejection of the policy merits of windfalls, when these payouts have the potential to improve lives.

III. RESPONSES TO MAJOR WINDFALLS

We now turn to a more detailed analysis of behaviors and patterns exhibited by individuals and households on the receiving end of “major” windfalls—those that immediately transform an individual's wealth position. These payouts, often arriving via lotteries or inheritances (or other intergenerational wealth transfers), are larger and less frequent than the payouts we will discuss in section IV. Typically, these payments are unexpected when compared with tax rebates or refunds, dividends, or income supplement programs, which occur on a more routine basis.

We will consider the responses to such windfalls across a range of categories: labor force enrollment, entrepreneurship, investment, and consumption, and look at the financial problems that can persist for an individual after they receive a major windfall. These are the buckets containing the bulk of the research surrounding major windfalls. Notably, one category not featured involves the source of the major windfall—i.e., lottery winnings or inheritances—and its effect on spending, investment, employment, and

entrepreneurial decisions. Both sources are discussed here, although they are not in strict comparison with one another. This shortcoming in the literature is discussed more in section V.

Labor Responses to Major Windfalls

In the early 1970s, H. Roy Kaplan interviewed 34 of 37 “millionaire” winners of the New Jersey Lottery, since the “Garden State” was the first to feature a regular million dollar prize in its lottery (Kaplan, 1987). He found that nearly 80 percent of them had quit their jobs after winning, a finding that received national news coverage (Kaplan, 1979). While Kaplan’s initial study helped shape popular thought regarding the effects of windfalls on depressing labor output, later studies found the relationship to be more nuanced and muted.

Reexamining his initial research of lottery winners, in 1987, Kaplan himself refuted his previous claim that winners tend to drop out of the labor force. He conceded that there was a “rush to stereotype” the winners and stated that his sample was not representative (p. 174). None of the winners interviewed had a college degree, and most were in lower income brackets and worked in blue-collar jobs—jobs that often lack opportunity for upward mobility.

After the lottery became a widespread institution, Kaplan conducted a new study with a more representative sample. He found that some winners did leave the workforce, but at much smaller numbers than previously thought. In his later study of 576 lottery winners (from 12 states), only 11 percent of winners (and 13 percent of their spouses) quit after winning.⁴ Their exit from the labor force was conditional on their age, education, tenure, annual salary, and size of the prize.

As the prize amount increased, the percentage of people who quit their jobs increased. None of the people who won less than \$50,000 stopped working, but 23 percent of the people who won \$1 million did (Kaplan, 1987). Furthermore, individuals who had less education, had been working at their job for fewer than four years, and who were making under \$10,000 a year (in 1983 dollars) were most likely to quit (Kaplan, 1987).⁵

⁴ A similar percentage of winners and their spouses chose to retire: 13 percent and 14 percent, respectively.

⁵ Those making under \$10,000 in 1983 were earning less than half the median income (which was \$20,885 in 1983).

A more recent analysis of Swedish lottery winners documented a consistent but “modest” labor response across age, education level, and gender. Following the win, annual pre-tax earnings immediately declined by about 1 percent of the wealth shock provided by the lottery prize, and these effects remained constant for more than a decade (Cesarini et al., 2017). Similarly, a review of Dutch State Lottery winners found a “small but statistically significant” decrease in labor earnings in the lottery year and the three years that followed; the effect of winning on unemployment was not statistically significant (Picchio et al., 2018).

A few years after Kaplan’s research, Holtz-Eakin et al. examined the labor market transitions of 4,332 heirs by using data from IRS estate tax records.⁶ Labeling small inheritances as bequests under \$25,000, medium inheritances as ranging between \$25,000 and \$150,000, and large inheritances as over \$150,000, the researchers found that a small but statistically significant percentage of heirs left their jobs after receiving their inheritance: 4.6 percent of individuals quit their jobs after receiving a small inheritance, while 18.2 percent did so after receiving a large inheritance (Holtz-Eakin et al., 1993).

Similar patterns were documented when the heir was out of the workforce and then received an inheritance. The likelihood of the individual deciding to reenter the workforce was inversely related to the size of the inheritance: 53 percent of people out of work who received a low inheritance reentered the workforce, while only 16 percent of people out of work who received a large inheritance did so (Holtz-Eakin et al., 1993).

Analysis of joint tax returns suggests that family structure also affects post-inheritance labor force participation. In a single-earner household, the percentage of inheritors departing the workforce was in the single digits; in two-earner households, it was extremely rare for both earners to quit, but one earner would quit in 20 to 30 percent of cases (Holtz-Eakin et al., 1993).

Joulfaian and Wilhelm (1994) used the Michigan Panel Study of Income Dynamics (PSID) and the Treasury’s Estate-income Tax Match sample (EITM) to investigate labor market participation after windfalls. They concluded that inheritances increase consumption but “that the labor disincentive of inheritance is fairly small” (p. 1207).

⁶ All estates in their sample were valued at over \$300,000, and all returns for estates over a million dollars were included in their sample.

A 2004 study conducted by Arvey et al. confirmed and elaborated on Kaplan's revised arguments. They found that the people who are most likely to continue working after winning the lottery are those who find intrinsic value in their work. The value of work extends beyond the financial benefits: It supports social status, self-esteem, friendships with fellow employees, and sense of identity (Arvey et al., 2004). The data, collected in Ohio and Iowa, showed that only 14.5 percent of lottery winners stopped working entirely, and 63 percent continued working full time with the same organization (Arvey et al., 2004).

However, many lottery winners do take *some* time off work, then return. Imbens et al. (2001) used data from Massachusetts lottery winners to analyze the effect that winning the lottery has on earnings, savings, and consumption. The authors found that in the six-year analysis period after winning, individuals decreased their labor market earnings by 11 percent (Imbens et al., 2001). In general, these studies indicate that lottery winners do not undertake a mass exodus from employment, but that the odds of an exit are greater if the job they held was low-paid and had other undesirable attributes.

How Major Windfalls Aid in Entrepreneurship

Unsurprisingly, a lack of sufficient funds is a serious barrier to becoming an entrepreneur. While new money can help open doors in one's career and social life, it becomes particularly significant when embarking on a business venture, especially for people who lacked sufficient capital prior to the windfall.

Obtaining loans from banks to finance a new enterprise often requires collateral to offset the default risk, a requirement that leaves out (and discourages) wealth-poor individuals. Entrepreneurship provides the opportunity for financial capital gains and, perhaps more crucially, improved well-being: It is unsurprising that a survey by the International Social Survey Programme found that, if given the opportunity, 70 percent of Americans would choose self-employment over being an employee (Blanchflower et al., 2001).

However, the percentage of Americans that are actually self-employed is nowhere near that figure.⁷ Using data from the National Child Development Study, Blanchflower and Oswald (1998) determined that receiving an inheritance or monetary gift is associated with a greater likelihood of being self-employed. In a subsection of the analysis, the

⁷ A recent Gallup study shows that less than 30 percent of Americans were self-employed at some point in 2019; more than half of those who are self-employed also work for an employer (Rothwell & Harlan, 2019).

authors confirmed that this relationship held when restricting the analysis to inheritances and gifts received well before the decision to enter self-employment. Moreover, they also cited data that revealed that most small business owners rely on initial injections of funds from friends and family, rather than bank loans.⁸

International analyses lend further validity to the self-employment effect. Laferrère and McEntee (1995) analyzed data from France and concluded that “a person is more likely to have switched into self-employment if his parents helped in paying for rented accommodation or provided free lodgment” (p. 52). Other characteristics of an individual's parental and familial structure also correlate with higher chances of entering self-employment, perhaps reflecting how generational financial capital transfers are often complemented by impartings of human capital (Laferrère & McEntee, 1995).

In a 1994-1996 longitudinal study of the British Household Panel Survey, Taylor (2001) discovered that those receiving windfalls (an overwhelming majority via lottery) were more than twice as likely to enter self-employment when compared to their counterparts who did not receive a similar infusion of funds. This analysis corroborated a prior study from Sweden, which had shown that both personal inheritances and lottery winnings increase probability of self-employment, with lottery prizes having a greater effect (Lindh & Ohlsson, 1996).

More recent research from the Spain Christmas Lottery also shows lottery wins to have a positive effect on regional firm creation and self-employment (Bermejo et al., 2020). Crucially, not only do lottery winnings increase an individual's probability of becoming self-employed, but they may also help to combat unemployment. In the following two-year span, the proportion of previously unemployed people entering self-employment was nearly 60 percent higher for those who received a windfall (Taylor, 2001).

In a paper that looks at the effects of Texas shale drilling dividends, Bellon et al. (2020) find that wealth shocks (amounts higher than \$50,000) tend to lead to higher rates of

⁸ From Blanchflower and Oswald (1998): “The receipt of an inheritance or gift seems to increase a typical individual's probability, *ceteris paribus*, of being self-employed. This emerges from NCDS data. It is not an estimate of the effect of capital availability upon transitions into self-employment, but rather—and perhaps more relevant to policy—an estimate of the lasting effect upon the stock of people running their own businesses” (p. 50).

self-employment.⁹ They note that these higher rates stem largely from longer self-employment periods for those already engaged in self-employment, rather than individuals who shift from employment to self-employment. The authors conclude that these windfall recipients seem to be choosing to “subsidize marginally successful businesses,” thus electing for and attaining the greater leisure and non-pecuniary benefits that the self-employment lifestyle can provide (p. 3).

Conversely, Mikhed et al. (2019) study the effects of lottery wins on new business incorporation and registration, the former process being more costly to the business owner but also providing more legal advantages. The authors find that lottery wins lead to greater incorporation of businesses, but not greater (unincorporated) registration of businesses. They infer that financial constraints in the business sector are largely experienced by entrepreneurial (high-growth, high-return) start-ups and that these are the specific opportunities major windfalls unlock.

In summary, these findings underscore the ability of major windfalls to bolster recipients' well-being by enabling them to choose a manner of employment more in line with their ideals. Conventional beliefs surrounding post-windfall lassitude are invalid. Rather, windfalls create an environment conducive to self-employment.

Investment of Major Windfalls

When recipients do not use the windfall to start a business, they often find other avenues of investment for their newfound money. Researchers Briggs et al. (2015a) studied the impact of \$150,000 lottery windfalls on personal portfolios in Sweden. Those not already holding stocks were, post-windfall, 12 percent more likely to participate in financial markets, whereas those already participating in the market did not demonstrate changed participation after receiving the additional funds.

Briggs et al. (2015a) found that, upon receiving this windfall, the probability of market participation doubled for debt-free households versus those with debt (that is, the estimated post-windfall effect on market participation was twice as large). A similarly sized effect showcased how the increase in market participation was doubled for college-educated households versus those households lacking a college degree.

⁹ A related paper by Cookson et al. (2022) is considered later in this section (in the “Ongoing Financial Problems Despite Major Windfalls” subsection).

Crucially, economic conditions also influence post-windfall behavior, suggesting that individuals adapt their expectations when handling these finances. For example, if the past year had negative returns, the probability of market participation is smaller, whereas if the prior year had positive returns, the probability is comparatively larger (Briggs et al., 2015a). Although the study was conducted in Sweden, the researchers emphasized its potential for broader application in noting that “the predictors of non-participation in Sweden and the United States are similar, as is the aggregate composition of household wealth in the two countries” (Briggs et al., 2015a, p. 10).

In a related paper, the same team found that windfalls also cause a 9 percent decrease in investment in riskier options across all subgroups examined. There was also a greater decline in “risky asset share” if the household held debt and if the recipient was not self-employed, did not own a home, was male, or won the windfall during a period of negative returns (Briggs et al., 2015b).

Stock ownership is not the only type of investment affected by these factors. Eckblad and von der Lippe (1994) found that Norwegian lottery winners also invested their money in alternative avenues for building wealth. In their study, 20 percent of the sample bought a house, half of the sample redecorated or remodeled their current dwelling, and a third invested in bonds or non-residential real estate.

That major windfalls lead to more responsible financial investments should not surprise us. Such windfalls provide a drastic improvement to recipients’ financial position and, in turn, loosen or remove entirely their previous financial constraints. As Hamilton and Darity (2017) state, such constraints can “[leave] borrowers with little to no other option but to use predatory and abusive alternative financial services,” such as payday loans with exorbitant interest rates (p. 59). Windfalls do not invite risky financial practices; in fact, they provide a new, safer path.

Spending of Major Windfalls, Permanent Income Hypothesis Revisited, and Consumption Benefits

It seems naive to think that someone who suddenly finds themselves flush with cash will not increase their consumption. The question worth interrogating is: After a windfall, in what *manner* does consumption increase?

Some of the earliest analyses of this question took place following World War II. In his 1959 paper “Windfall Income and Consumption,” Ronald Bodkin reviewed the spending of World War II veterans who received National Service Life Insurance dividends, the payments of which began in January 1950. Ultimately, Bodkin found that individuals exhibited “a strong tendency to spend windfall income,” but he was unable to conclude that the marginal propensity to consume windfalls was any higher than the marginal propensity to consume regular income (Bodkin, 1959, p. 613).

Bodkin’s paper also cited work from researchers in Great Britain who reviewed spending of windfall income—defined as “life insurance benefits, gambling winnings, cash gifts, cash legacies, postwar credits, and other lump-sum transfers of money”—from the 1953 and 1954 Savings Survey data (Bodkin 1959, p. 604). The researchers found retired and unoccupied individuals were the most likely to consume windfall income. Upper-income employees consumed this income at a medium rate, and lower-income employees consumed it at the lowest rate (Klein & Liviatin, 1957). This finding—that the marginal propensity to consume (MPC) windfall income increases with income levels—aligns with results from a more contemporary study of consumption of dividend payments from the Alaska Permanent Fund. Dividends from the Fund, which provided the average household with \$4,600 every October from 1982 to 2014, were consumed to highly varying degrees: Households in the top income quintile possessed an MPC of 70 percent, and those in the lowest income quintile had an MPC of 10 percent (Kueng 2018, p. 24).

The discovery of varying MPCs for different income brackets in response to these windfalls would, at first glance, appear to be a refutation of the permanent income hypothesis. Bodkin (1959, p. 603) highlights a key point of Friedman’s argument “that transitory income does not give rise to consumption (of either type) on a systematic basis,” those two types being transitory consumption and permanent consumption.

In the two prior examples, there appears to be a relationship between permanent income and transitory consumption. The crucial criteria in Friedman’s definition of “transitory income,” however, is that the income arises by “chance or accidental factors” (Bodkin 1959, 604). As such, neither the 1953 and 1954 Savings Survey data based on life insurance payments nor the Alaska Permanent Fund findings offer a strong rebuttal; in both cases the payments reasonably could have been expected.

Bodkin goes further, asserting that the “expert gambler” could also expect gambling wins as part of their income (1959, p. 604). It seems reasonable to argue, though, that the lottery is not an area where expertise can make a difference. An analysis of mid-1980s

Massachusetts lottery winners showed that by the time winners had received half of their installments, they had saved approximately 16 percent of the prize money received (Imbens et al., 2001). This rate is significantly higher than the average savings rate in the US at the time, which, during the 1980s, was slightly below 10 percent.

Notably, if lottery windfalls are considered “transitory income” and these individuals are representative of the broader population, then this higher savings rate would be consistent with Friedman’s permanent income hypothesis—again, suggesting that the MPC out of transitory income is lower than the MPC out of permanent income. Still, a more direct evaluation of winners’ consumption and savings behaviors before and after these lottery wins would be warranted to conclude this with a high degree of confidence.

What exactly do recipients of windfalls buy? Upon hearing about windfalls, a common cultural perception is that winners will spend their newfound money on unnecessary luxury goods or squander it on alcohol or drugs. The rare examples that reinforce this stereotype make for great gossip and even catchier headlines: A happy couple wins \$2.76 million and buys a house and a Porsche; six years later, they get divorced amidst cheating allegations, he takes the car, and a fire claims their home. A single mother wins over 10 million dollars—and then squanders it on vacations, cars, and trips; 10 years later, she’s renting a house and using the bus to commute to her part-time job (Abadi et al., 2023).

Yet the academic literature proves that such dramatic stories of overconsumption are baseless. Heirs tend to save about half of their inheritance and spend (or lose via investments) the other half (Zagorsky, 2013). After winning the lottery, people tend to spend their money on housing and transportation, and, in a study conducted by Bengt Larsson (2011), only one-third of respondents stated that they purchased something that was not an essential item with their prize money.

Kuhn et al. (2010) reported that spending of winnings from the Dutch postcode lottery (PCL), roughly equivalent to eight months’ income, was largely limited to consumer durables, such as cars.¹⁰

¹⁰ The unique format of the lottery, in which all lottery participants in the winning postcode earn a prize but non-participants receive nothing, also enables a study of the social effects of lottery outcomes: How do the neighbors of lottery winners behave? The authors find that neighbors also engage in car consumption, perhaps in an attempt to “keep up with the van den Berghs” (p. 22). However, reported happiness levels of both winning households and non-winning households reflect no changes post-lottery (Kuhn et al., 2010).

Reviewing US lottery winners from 1996 to 2013 who were parents of college-age students, Bulman et al. (2021) found that the additional financial resources of lottery wins lead to increased college attendance. Crucially, the authors demonstrate that this spending is not consistent with financial constraints limiting or hindering college attendance, but rather that these individuals “derive consumption benefits from college, much as they do from normal goods” (p. 1231).

Evans and Popova (2017) conducted a more targeted review, analyzing previous studies on the effect of cash transfers on the consumption of “temptation goods,” i.e., alcohol and tobacco. In their meta-analysis, they state that “across 44 estimates from 19 studies, we find that almost without exception, studies find either no significant negative impacts of transfers on expenditures on alcohol and tobacco” (Evans & Popova, 2017, p. 190). Studies within this field reveal that although people do spend a portion of their windfalls, they often do so in ways that improve their financial security, rather than hurt it.

Lastly, Eckblad and von der Lippe, in their 1994 study of Norwegian lottery winners, write that, overall, “the winners showed remarkable reserve in their spending,” with a majority preferring to place their money in the bank (p. 314). The winners’ behaviors, they conclude, indicate a primary focus on responsibility rather than pleasure. Moreover, they suggest a compelling and crucial feedback loop present in individuals: “a belief that sudden wealth will entice unbridled spending, and that the existence of this very belief deters irresponsibility and allows for largely positive experiences” (p. 321).

This idea bears repeating: The unfounded fear that recipients will spend or invest their newfound wealth rashly may help prevent such myths from becoming reality. Instead, as ubiquitous rumors of rash spending of windfalls abound—repeated from sources as far-flung as J.D. Vance (2016) and Bill Cosby (Lee, 2004)—the way that recipients spend windfalls is responsible, largely focused on key goods (housing, education, consumer durables) that secure their financial situation.

Ongoing Financial Problems Despite Major Windfalls

Windfalls are not magical panaceas for all financial woes. Research over the past two decades has demonstrated that their bounties are not limitless, and, crucially, that informed stewardship of received assets is still necessary (albeit, not always sufficient) to achieve and maximize long-term financial success.

The first conclusion comes from Joulfaian's (2006) examination of the effects of inheritances on more than 800 individuals. In his analysis, Joulfaian found that large inheritances led to disproportionately less saving. He divided the sample into three groups of roughly equal size: those who inherited less than \$25,000, those who inherited between \$25,000 and \$150,000, and those who received more than \$150,000. The group inheriting the least saw an average increase in wealth of \$64,000, nearly seven times the mean inheritance of the entire group (\$9,400).

However, individuals receiving the most (>\$150,000) saw an average wealth increase smaller than the mean value of the inheritance. A larger inheritance tends to lead to a larger increase in one's wealth, but the redoubling of wealth gains from an inheritance are more common at the lowest levels. In short, "the average change in wealth, relative to the size of inheritance received, declines with the size of the transfer" (Joulfaian, 2006, p. 10).¹¹

More troublingly, a study using data collected from decades' worth of Florida lottery winners demonstrated that, among those in financial jeopardy prior to the win, a windfall does not prevent bankruptcy; it merely delays it. The authors found that after five years, 5.5 percent of lottery winners filed for bankruptcy, a similar annual rate to that of non-lottery winners within the state (Hankins et al., 2011). Bankruptcy records showed that the net assets and unsecured debt of those who won a large prize (defined as prizes between \$50,000 and \$150,000) were not different from those who won a small prize (anywhere from \$600 to \$10,000).

Notably, although these "large" winners could have paid off all their debt or increased equity in new or existing assets, they did not, suggesting that the large winners were consuming the majority of their prizes. The delayed effects also become apparent when comparing the timing of the bankruptcies declared by large and small winners: Large winners were much less likely to file for bankruptcy in the first two years of winning than small winners, but were more likely to do so in years three through five (Hankins et al., 2011).

The authors posited three explanations for these findings. First, individuals might use the money to pay down debts in the short term, but they do not pay enough to avoid

¹¹ Those in the group that received the smallest inheritances (averaging \$9,400) saw their wealth increase by an average of \$64,400, roughly six times the typical inheritance. Those in the group receiving the largest amounts (averaging \$881,900) experienced an increase in wealth of \$586,200, just two-thirds the size of the average inheritance.

bankruptcy in the long term. Second, winners might know that they will ultimately have to file for bankruptcy, so they might invest their windfalls in their home equity to protect the windfall, in order to take advantage of a “homestead exemption” in Florida bankruptcy law that allows for residents to forgo paying property taxes on a portion of their home’s value. Third, people might consume their money and then face an unexpected negative income shock, pushing them into bankruptcy—which they could have avoided if they had not consumed their winnings.¹²

Ultimately, though, the authors “found little evidence” that the increase in bankruptcy rates in large winners three to five years after winning was due to consumption commitments or trying to game the homestead exemption loophole (Hankins et al., 2011, p. 968).

An alternative explanation posits that windfalls may induce bankruptcy declarations, simply because, with the windfalls, households can afford all of the fees associated with filing for bankruptcy (Gross et al., 2014). Moreover, a study of windfalls from oil and gas shale royalties complicates, if not directly contradicts, these conclusions. Cookson et al. (2022) found that recipients of windfalls who had subprime credit scores used the money to pay down their revolving debts and reduced their debt-to-income ratio by 3.47 percent.

Recipients with prime credit scores increased their revolving credit utilization as well as their installment credit usage; nevertheless, the data from Cookson et al. (2022) indicates that these windfalls *improved* their credit scores, with the effect being greatest for those who, initially, had subprime credit (Cookson et al., 2022). Similarly, a study of government payments in Canada has shown that windfalls can help some households avoid filing for bankruptcies. Insofar as households do not stand to gain significant “balance sheet benefits” from filing, they will use the windfall to avoid declaring bankruptcy (Mikhed & Scholnick, 2016).

While windfalls do not guarantee that financial problems are automatically resolved for all recipients, they also do not guarantee ruin. Windfalls provide benefits that help recipients in long-term wealth building, most notably by enabling them to pursue different employment options, make smart consumption choices, and access a class of safer investment tools (as detailed in the previous subsections). Moreover, they appear to benefit the well-being of recipients, as evidenced indirectly by recipients’ greater pursuits

¹² The one-year bankruptcy rate for this sample was 1 percent—double the bankruptcy rate in the general Florida population—so these winners are not perfectly representative of the population. Rather, they were further along the path to bankruptcy prior to winning the lottery.

of self-employment and as evidenced directly by analyses of Swedish lottery winners in the decades following their wins (Lindqvist et al., 2020). Effects on recipient well-being will be further explored in the next section on “minor” windfalls.

IV. RESPONSES TO MINOR WINDFALLS

Relevant to our analysis is the behavioral response to “minor” windfalls—those that are less substantial than bequests, lottery winnings, shale drilling dividends, and similarly sized income shocks (which we do not expect to significantly affect recipients’ wealth levels). In section II, we suggested the importance of the frequency and amount of funds received as key variables affecting behavior of the recipients of these windfalls. Therefore, we should not assume such patterns of consumption, investment, and savings are consistent when these amounts are smaller.

Given the importance of the framing in these scenarios, we will consider behavioral responses to minor windfalls in two subsections: those framed as rebates, refunds, or other forms of recompense, and those framed as supplemental income payments. Not all of the analytical categories covered in section III will be featured here, as these smaller windfalls have less of an effect on the wealth of recipients and thus unlock fewer long-term opportunities for them. In particular, minor windfalls have a greater effect on alleviating short-term financial stress than on, say, decisions to invest in or launch a business. As a result, most research regarding minor windfalls has focused on the spending patterns, labor patterns, and well-being of recipients, and these are the areas we focus on in the following subsections.

Tax Refunds

Baugh et al. (2021) explore how US households behave in advance of receiving expected tax refunds and making expected tax payments. The researchers find that those expecting to receive income via tax refund (amounts that averaged \$2,121 in their final sample) increase their consumption when they receive these refunds. However, these same households smooth their consumption when making anticipated tax payments, making transfers among accounts in the month prior to the payment such that their consumption during the month of payment does not drastically drop off. The authors interpret this juxtaposition as evidence that the households are not bound by liquidity

constraints. Rather, they state, the households are making a choice to consume tax refunds.¹³

Parker (1999) finds that, in response to predictable changes in social security taxes, increased income leads to increased consumption. In particular, a 1 percent increase in income leads to a 0.5 percent increase in nondurable consumption in the three months following the change, serving as a rejection of the consumption smoothing hypothesis. However, the dataset in question is focused more on high-income, employed individuals—i.e., a group that faces fewer liquidity constraints on average.

Moreover, a review of late-summer 2001 income tax rebates, which sent \$300 or \$600 to a majority of US households, found that this initiative similarly prompted spending, with households spending 20 to 40 percent of their rebates on nondurable consumption goods in the first three months after receiving the rebates (Johnson et al., 2006). In this instance, lower-income and lower-wealth households spent more of their rebates, suggesting the existence of liquidity constraints (Johnson et al., 2006).

Research into tax refunds for Alaskans, who also are recipients of the Alaska Permanent Fund dividends (previously discussed in section III), similarly underscores how responses to windfalls depend upon the size and expectation of payments. Hsieh (2003) finds evidence that households that smooth their (more sizable) dividend payments can still demonstrate overly sensitive consumption responses to tax refunds. Households will adjust their consumption in anticipation of income changes, Hsieh writes, when these changes are “large, regular, and easy to predict, but will not do so when they are small and irregular” (p. 397).

Income Supplements

A winning ticket for a multimillion dollar lottery and a monthly income stipend from the government are different by orders of magnitude—the former drastically affects one’s wealth position, while the latter does not. By now, though, the aversion to such outlays should not be surprising, given the widely held belief that both the recipients of

¹³ The data period they considered is between 2011 and 2015, between the Great Recession and the economic downturn brought on by the COVID-19 pandemic. It is reasonable to think that the spending of COVID-19 stimulus payments to pay down debt and other costs, for example, were in fact a response to liquidity constraints (Perez-Lopez and Monte, 2022).

government checks and lottery players are predominantly “poor minorities,” although the truth is more complicated (Ariyabuddhiphongs, 2011; Wiggins et al., 2010).

Still, a number of income supplement pilot programs have sprouted in the past six decades, providing opportunities for controlled experimentation and analysis of their effects. A systematic review of such programs and analyses identified ten distinct basic income interventions in this period, with the majority of the analyses focusing on four that occurred in the US in the 1960s and 1970s: the New Jersey Income Maintenance Experiment from 1968 to 1972, the Rural Income Maintenance Experiment (RIME) from 1970 to 1972, the Gary Income Maintenance Experiment from 1971 to 1974, and the Seattle-Denver Income Maintenance Experiment (SIME-DIME), which lasted from 1970 to 1976 and featured the largest sample size of the four (Pinto et al., 2021).

Analyses regarding these interventions primarily centered on labor outcomes, particularly whether labor supply and work hours would decrease following the implementation of basic income initiatives (Pinto et al., 2021). Varying reports of results generally suggested a decrease in hours worked for husbands (1 to 9 percent), wives (3 to 33 percent), and single parents (7 to 30 percent), although only a small subset of these results were statistically significant (Gibson et al., 2020).

More recent initiatives, however, have enabled analyses that consider a wider range of effects—that is, studying effects beyond just the change to individuals’ labor market participation. In February 2019, Stockton, CA, launched the Stockton Economic Empowerment Demonstration (SEED). Each month, for 18 months, the program gave \$500 (loaded onto a debit card) to 125 individuals, with no strings attached. While this program wasn’t overtly means-tested—the recipients were randomly chosen Stockton residents—the sample population skewed lower-income. Nearly a quarter of Stockton residents live below the poverty line, and the town possesses one of the highest child poverty rates in the country.

In order to qualify for the program, participants had to be over 18 and live in a neighborhood within Stockton where the median income was at or below the city average of \$46,033 a year (Lowrey, 2019). When conducting interviews with recipients in the SEED program, Lowrey (2019) found that people implemented detailed budgets and used the money primarily for necessities and asset-building. Moreover, people within the program often had plans to return to a smaller budget at the program’s end.

Analyzing the experiment after one year, which coincided with the onset of the COVID-19 pandemic, the Stockton program reported recipients of the monthly \$500 obtained full-time employment at twice the rate of non-recipients (Stockton Economic Empowerment Demonstration, 2021). Recipients largely spent the money on essential goods, spending less than 1 percent on tobacco or alcohol products. Crucially, the recipients reported improved well-being—lower anxiety and depression levels, less fatigue, and improved emotional health.¹⁴

Two international examples further elucidate the broad effects of these initiatives. Studying a similar program in Ontario, Canada, in which subjects received monthly stipends to “boost” their income to 75 percent of the poverty line or higher, reporter Brian Bergstein (2018) found recipients had used the money for food, education, neighborhood improvement projects, and capital for small businesses. In addition, many people used the money to pay off existing debts or save for future expenses.

Perhaps the most robust analysis occurred in Finland, which ran a study of a basic income program throughout 2017 and 2018. The government provided 2,000 unemployed individuals, aged 25 to 58, with monthly, no-strings-attached payments of €560. In May 2020, the government shared results indicating that these payments had neither a positive nor a negative impact on employment, but the recipients did demonstrate “clearly higher subjective wellbeing” (Hillamo, 2020).

A similar emotional effect was found in rural North Carolina, among the Eastern Band of Cherokee Indians, in the midst of the Great Smoky Mountains Study of youth research project. After building a casino on the reservation, tribal members began receiving stipends from the casino’s revenues—profit shares, effectively. In a retroactive study, researchers were able to pinpoint the psychological effect that a more than 15 percent average increase in income had on families.

Notably, it reduced behavioral and emotional disorders among children and improved relationships between parents and their children and between spouses (Akee et al., 2018). The non-economic effects on well-being, relationships, and emotional health must be

¹⁴ While not officially an income supplement program, the expanded Childhood Tax Credit (CTC) during the COVID-19 pandemic provided similar benefits to recipients’ well-being. Batra et al. (2023) documented the effects of the expansion, which provided an additional \$1,600 per child during the June-December 2021 period. In addition to increasing food sufficiency for recipients, the additional money led to low-income adults demonstrating fewer symptoms of depression and anxiety, and the researchers also noted reduced anxiety symptoms in “[a]dults of Black, Hispanic, and other racial and ethnic backgrounds” (p. 74).

considered when evaluating any type of windfall, but they should take on special weight when evaluating these sorts of supplemental income programs—programs that will not drastically change an individual's or a family's wealth.

Gibson et al. (2020) centered the public health outcomes of basic income-like programs in their overview, ultimately considering 27 studies of nine such interventions (among them the SIME/DIME, New Jersey Income Maintenance Experiment, the Gary Income Maintenance Experiment, RIME, and the Great Smoky Mountains Study of youth datasets). They reported “modest to strong positive effects” on certain health outcomes: birthweight, infant obesity, adult and child mental health, service use, and nutrition.

The authors concluded by stating that their findings are “congruent with reviews of cash transfers in low-income and middle-income countries, which find little effect on adult labor market participation, positive effects in reducing child labor, health, and a wide range of structural determinants, as well as economic spillovers with multiplier effect on local economies” (Gibson et al., 2020, p. 173). (For more on the effects of cash transfers, see Hagen-Zanker et al., 2016.)

V. DISCUSSION AND FURTHER AREAS FOR INQUIRY

In addition to the topics covered in sections III and IV, a number of other areas surrounding windfalls and their subsequent effects warrant consideration and future research. These subjects are briefly explored below.

Race, Financial Literacy, and Wealth Creation

Race and class also affect savings behavior, although perhaps not in the manner one might expect. As Darity et al. (2018) explain, some false stereotypes posit that Black people lack self control and are uniquely plagued by cultural shortcomings that emphasize frivolous consumerism.¹⁵ However, the balance of research suggests that, controlling for income, Black Americans tend to save at a higher rate than white Americans (Traub et al., 2017, p. 11-12).

¹⁵ Similarly, attitudes toward welfare were positive until the 1960s, when more Black women began receiving welfare and the “welfare queen” myth arose, making welfare a racial issue (Stern 2020).

Following receipt of lottery windfalls, households in lower socioeconomic status (SES) brackets exhibit smaller changes to their decisions surrounding labor supply, savings behavior, and college enrollment, suggesting that these households may consume more of their winnings (Bulman et al., 2021).

Among low- and moderate-income households, Black and Latinx families tend to have significantly fewer liquid financial assets. Consequently, they are less able to use existing assets to buffer their households from financial shocks (e.g., job loss, unforeseen medical expense) (Despard et al., 2018). They also face a higher demand to support members of their extended families financially, have less access to resources from extended family, face more financial shocks of greater magnitude, experience discrimination in markets (housing in particular) that can increase financial hardship, and have easier geographical access to alternative, high-cost emergency funding options such as payday loans (Despard et al., 2018; Faber, 2019).

How financial literacy affects post-windfall response is also an open question. As Lusardi notes, financial illiteracy is particularly prevalent among certain groups, notably “those with low education, women, African Americans and Hispanics,” which can hinder the ability of these groups to save and to experience a comfortable retirement (2007).

However, Darity et al. (2018) remind us that just as literacy only matters when one has reading material, “financial literacy without finance is meaningless,” and “while wealth begets wealth, typically no wealth begets no wealth, regardless of how astute a money manager the person may be” (2018, p. 30). In receiving a particular windfall that transforms one’s wealth and financial situation, an individual likely will also be experiencing an increase in their opportunities for wealth creation and a decrease in their need to rely on predatory financial institutions. It is important to understand the interplay between financial literacy and existing wealth, and how windfalls might affect both.

Nevertheless, given their financially disparate starting positions, it is reasonable to expect that the responses to windfalls might vary across different racial (and other demographic) groups. Further research here is warranted in order to better understand and predict post-windfall responses.

Lastly, an ongoing area of discussion focuses on the effects of reparations payments for particular groups, such as Black descendants of American slavery. Estimates of these payments, based on the different valuation methods to calculate the myriad costs of

slavery and post-slavery discrimination, range widely from \$357,000 per person to \$424 million per person (Craemer et al., 2020). Payments of such a magnitude, especially when targeted to this population, will invariably lead to good- and bad-faith pushback.

Similar reparative windfalls—for example, those made to Japanese Americans who were forced to live in internment camps during World War II or to the families of the victims of the September 11th terrorist attacks—have not been analyzed, to our knowledge, but there is little to suggest these payments would provoke significantly different behavior. Based on the research compiled here, it makes sense that reparations for Black Americans—when framed not as handouts but rather as *reparative* payments, with the attendant negative “affective tags” (see section II)—would not lead to the feared outcomes of, for instance, flagrant spending on nonessential goods, but would rather lead to significant improvements in recipients’ financial and emotional well-being.

Of course, the merits of making such payments should not be assessed solely on the basis of the anticipated economic effects. Moreover, using the absence of evidence of this type as a justification for delaying reparative payments, such as those to Black descendants of American slavery, is inconsistent with the fact that other groups previously have received similar payments in the wake of atrocities and tragedies.

Responses across (Un)expected Major and Minor Windfalls

This report spans the litany of research surrounding windfalls of varying origins, sizes, formats, and recipients. Writ large, windfall recipients spend some of the money they receive but not as much as the popular narrative suggests. Some recipients choose to leave the workforce, but fewer than opponents claim. What is most apparent is the modest response that windfalls can provoke given the slightest adjustment in any one of these factors.

Comparisons across these studies are no doubt valuable, but the most effective approach would account for these variables in experimental design. Pilot policies like income supplement programs provide an opportunity to test a number of different treatments across a representative group of recipients. How does the marginal propensity to consume (MPC) vary with the size of the windfall? Which groups (by age, race, gender, socioeconomic status) demonstrate the greatest and lowest MPC of windfalls? How does spending, savings, and investment behavior change when the windfall is expected or a surprise?

To some, studies of a magnitude that will provide these answers may seem indulgent, even irresponsible. But the COVID-19 pandemic has made clear that governments can marshal unprecedented funds at a moment's notice with little concern for their purse strings. The question of what happens when people receive large infusions of money has understandably sparked much investigation. We have a number of answers already, but to change policy—and to change minds—we need more synthesized and complete investigations.

VI. CONCLUSIONS

Available evidence indicates that people are more responsible with windfalls than popular narratives suggest. These popular narratives, including those that say people quickly lose large lottery winnings, actually are much more of an urban myth than accurate. Moreover, there are key findings that can help improve the manner in which financial payouts are handled.

1. Framing windfalls as “bonuses” (rather than “rebates”) will lead to slightly more spending, and the framing of such payouts as “rebates” can also lead to more popular support for the proposal. There is variance in how individuals change or maintain their behavior in response to these windfalls, but, if all other conditions remain the same, these effects are much smaller for individuals and households at lower income and wealth levels, as liquidity constraints dictate much of the decision-making for these groups.
2. Windfalls of a significant size—typically allotted to individuals via lotteries and inheritances—have shown the capacity to unlock opportunities, with many recipients going on to become self-employed, start businesses, or invest in a responsible manner.
3. Windfalls do not lead to the winners engaging in a mass exodus from work. Rather, when individuals do leave their jobs, it is often to pursue better opportunities or return to school.

4. Recipients tend to save at a higher rate than non-winners, but when recipients do spend their windfalls, their consumption is far from hedonistic and often improves their well-being.
5. When recipients do fall into financial troubles after winning, it often stems from prior financial strife. Frequently, windfalls help individuals avoid bankruptcy.
6. When considering smaller windfalls, tax rebates seem to lead to more consumption, although the degree to which households consume varies based on their income levels and whether or not they expect such a refund. Income supplement programs, which feature payouts that are much smaller than lottery wins, and which have much less of an effect on individuals' wealth stores, suggest no evidence of financial irresponsibility or greater dependency on government payouts and demonstrate little to no effect on labor market behavior. However, they do indicate higher levels of health and well-being for recipients, a suggestion of the power of these programs.

Windfalls are not catchall cures, but they can be palliative. On a small scale, they can alleviate economic stress in an effective way. In larger amounts, they can unlock opportunities and change lives. Better understanding the potential of windfalls and expected post-windfall behaviors can provide policymakers a low-risk way to improve the well-being of individuals and families, whether via expanded tax credits, guaranteed income, emergency stimulus spending, or reparations for Black American descendants of US slavery.

Such an understanding will unburden policymakers of long-held, erroneous concerns about the risks of windfalls. They, too, can experience new opportunities in pursuing the remediation of past wrongs through reparative payments. With care, local and federal leaders can empower their constituents through direct payments and rebates—and help ensure a brighter financial future for all.

REFERENCES

- Abadi, M., Snodgrass, E., Frias, L., & Balevic, K. (2023, January 11). *20 Lottery Winners Who Lost It All — As Millions Vie For Powerball's \$70 Million Jackpot*. Business Insider. <https://www.businessinsider.com/lottery-winners-lost-everything-2017-8>.
- Ackermann, H., Fochmann, M., & Temme, R. (2018). *Behavioral Responses to Subsidies in Risky Investment Decisions and the Effectiveness of Tax Credits and Grants*. <http://dx.doi.org/10.2139/ssrn.3156075>.
- Addo, F. R., & Darity, W. A. (2021). Disparate Recoveries: Wealth, Race, and the Working Class after the Great Recession. *The ANNALS of the American Academy of Political and Social Science*, 695(1), 173–192. <https://doi.org/10.1177/00027162211028822>.
- Akee, R., Copeland, W., Costello, E.J., & Simeonova, E. (2018). How Does Household Income Affect Child Personality Traits and Behaviors? *American Economic Review*, 108(3), 775-827. <https://www.aeaweb.org/articles?id=10.1257/aer.20160133>.
- Allsop, J. (2020, April 16). *Chasing Sales During Coronavirus Pandemic, States Declare Lotteries "Essential" During Coronavirus Pandemic*. The Intercept. <https://theintercept.com/2020/04/16/coronavirus-state-lotteries-gambling-essential/>.
- Antonides, G., De Groot, I. M., & Van Raaij, W. F. (2011). Mental budgeting and the management of household finance. *Journal of Economic Psychology*, 32(4), 546-555. <https://www.sciencedirect.com/science/article/abs/pii/S0167487011000596>.
- Ariyabuddhiphongs, V. (2011). Lottery Gambling: A Review. *Journal of Gambling Studies* 27, 15–33. <https://doi.org/10.1007/s10899-010-9194-0>.
- Arvey, R. D., Harpaz, I., & Liao, H. (2004). Work centrality and post-award work behavior of lottery winners. *The Journal of Psychology*, 138(5), 404-420. <https://pubmed.ncbi.nlm.nih.gov/15529735/>.
- Batra, A., Jackson, K., & Hamad, R. (2023). Effects Of The 2021 Expanded Child Tax Credit on Adults' Mental Health: A Quasi-Experimental Study. *Health Affairs*, 42(1), 74–82. <https://doi.org/10.1377/hlthaff.2022.00733>.
- Baugh, B., Ben-David, I., Park, H., & Parker, J. A. (2021). Asymmetric Consumption Smoothing. *American Economic Review*, 111(1), 192-230. <https://www.aeaweb.org/articles?id=10.1257/aer.20181735>.
- Bellon, A., Cookson, J. A., Gilje, E., & Heimer, R. (2020). *Personal Wealth and Self-Employment* (NBER Working Paper 27452). National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w27452/w27452.pdf.
- Bergstein, B. (2018, June 20). *Basic Income Could Work—If You Do It Canada-Style.. MIT Technology Review*. <https://www.technologyreview.com/2018/06/20/141704/basic-income-could-work-if-you-do-it-canada-style/>.

- Bermejo, V. J., Ferreira, M. A., Wolfenzon, D., & Zambrana, R. (2020). *Entrepreneurship and Regional Windfall Gains: Evidence from the Spanish Christmas Lottery* (CEPR Discussion Paper No. DP14638). Centre for Economic Policy Research. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3594269.
- Blanchflower, D., & Oswald, A. (1998). What Makes an Entrepreneur? *Journal of Labor Economics*, 16(1), 26-60. <https://www.journals.uchicago.edu/doi/10.1086/209881>.
- Blanchflower, D., Oswald, A., & Stutzer, A. (2001). Latent Entrepreneurship Across Nations. *European Economic Review*, 45(4-6), 680-691. [https://doi.org/10.1016/S0014-2921\(01\)00137-4](https://doi.org/10.1016/S0014-2921(01)00137-4).
- Briggs, J. S., Cesarini, D., Lindqvist, E., & Östling, R. (2015a). *Windfall Gains and Stock Market Participation* (NBER Working Paper 21673). National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w21673/w21673.pdf.
- Briggs, J., Cesarini, D., Lindqvist, E., & Östling, R. (2015b). *Wealth, Portfolio Shares, and Risk Preference* (2016 Meeting Papers 1089). Society for Economic Dynamics. <https://ideas.repec.org/p/red/sed016/1089.html>.
- Bodkin, Ronald. (1959). Windfall Income and Consumption. *The American Economic Review*, 49(4), 602-14. <http://www.jstor.org/stable/1812914>.
- Buddelmeyer, H., & Peyton, K. (2014). How Windfall Income Increases Gambling at Poker Machines. *Economic Record*, 90(289), 236-248. <https://onlinelibrary.wiley.com/doi/10.1111/1475-4932.12094>.
- Bulman, G., Fairlie, R., Goodman, S., and Isen, A. (2021). Parental Resources and College Attendance: Evidence from Lottery Wins. *American Economic Review*, 111(4), 1201-40. <https://www.aeaweb.org/articles?id=10.1257/aer.20171272>.
- Cesarini, D., Lindqvist, E., Notowidigdo, M. J., & Östling, R. (2017). The Effect of Wealth on Individual and Household Labor Supply: Evidence from Swedish Lotteries. *American Economic Review*, 107(12), 3917-3946. <https://www.aeaweb.org/articles?id=10.1257/aer.20151589>.
- Chambers, V., & Spencer, M. (2008). Does Changing the Timing of a Yearly Individual Tax Refund Change the Amount Spent vs. Saved? *Journal of Economic Psychology*, 29(6), 856-862. <https://doi.org/10.1016/j.joep.2008.04.001>.
- Cookson, J. A., Gilje, E. P., & Heimer, R.Z. (2022). Shale shocked: Cash windfalls and household debt repayment. *Journal of Financial Economics*, 146(3), 905-931. <https://doi.org/10.1016/j.jfineco.2022.09.008>.
- Craemer, T., Smith, T., Harrison, B., Logan, T., Bellamy, W., & Darity, W. (2020). Wealth Implications of Slavery and Racial Discrimination for African American Descendants of the Enslaved. *The Review of Black Political Economy*, 47(3), 218-254. <https://doi.org/10.1177/0034644620926516>.

- Darity, W., Jr., Hamilton, D., Paul, M., Aja, A., Price, A., Moore, A., & Chiopris, C. (2018). *What We Get Wrong About Closing the Racial Wealth Gap*. The Samuel Dubois Cook Center on Social Equity. <https://socialequity.duke.edu/portfolio-item/what-we-get-wrong-about-closing-the-racial-wealth-gap/>.
- Darity, W., Jr., & Mullen, A. K. (2020). *From Here to Equality: Reparations for Black Americans in the Twenty-First Century*. The University of North Carolina Press.
- Dawson, M., & Popoff, R. (2004). REPARATIONS: Justice and Greed in Black and White. *Du Bois Review: Social Science Research on Race*, 1(1), 47-91. <https://www.cambridge.org/core/journals/du-bois-review-social-science-research-on-race/article/abs/reparations-justice-and-greed-in-black-and-white/6DE105EDB929E36A6DAE35294044B7D9>.
- Despard, M., Grinstein-Weiss, M., Guo, S., Taylor, S., & Russell, B. (2018). Financial Shocks, Liquid Assets, and Material Hardship in Low-and Moderate-Income Households: Differences by Race. *Journal of Economics, Race, and Policy*, 1, 205-216. <https://doi.org/10.1007/s41996-018-0011-y>.
- Dharshing, S., Hille, S. L., & Wüstenhagen, R. (2017). The Influence of Political Orientation on the Strength and Temporal Persistence of Policy Framing Effects. *Ecological Economics*, 142, 295-305. <https://doi.org/10.1016/j.ecolecon.2017.05.014>.
- Eckblad, G. F., & von der Lippe, A. L. (1994). Norwegian lottery winners: Cautious realists. *Journal of Gambling Studies*, 10, 305-322. <https://doi.org/10.1007/BF02104899>.
- Epley, N., & Gneezy, A. (2007). The framing of financial windfalls and implications for public policy. *The Journal of Socio-Economics*, 36(1), 36-47. <https://doi.org/10.1016/j.socec.2005.12.012>.
- Epley, N., Mak, D. and Idson, L.C. (2006). Bonus of rebate?: the impact of income framing on spending and saving. *Journal of Behavioral Decision Making*, 19, 213-227. <https://doi.org/10.1002/bdm.519>.
- Evans, D. K., & Popova, A. (2017). Cash transfers and temptation goods. *Economic Development and Cultural Change*, 65(2), 189-221. <https://doi.org/10.1086/689575>.
- Faber, J. W. (2019). Segregation and the Cost of Money: Race, Poverty, and the Prevalence of Alternative Financial Institutions. *Social Forces*, 98(2), 819-848. <https://doi.org/10.1093/sf/soy129>.
- Friedman, M. (1957). The Permanent Income Hypothesis. In *A theory of the consumption function* (pp. 20–37). Princeton University Press. <https://www.nber.org/system/files/chapters/c4405/c4405.pdf>.
- Gerhard, P., Gladstone, J. J., & Hoffmann, A. O. (2018). Psychological characteristics and household savings behavior: The importance of accounting for latent heterogeneity. *Journal of Economic Behavior & Organization*, 148, 66-82. <https://doi.org/10.1016/j.jebo.2018.02.013>.
- Gibson, M., Hearty, W., & Craig, P. (2020). The public health effects of interventions similar to basic income: A scoping review. *The Lancet Public Health*, 5(3), E165-E176. [https://doi.org/10.1016/S2468-2667\(20\)30005-0](https://doi.org/10.1016/S2468-2667(20)30005-0).

- Gross, T., Notowidigdo, M. J., & Wang, J. (2014). Liquidity Constraints and Consumer Bankruptcy: Evidence from Tax Rebates. *Review of Economics and Statistics*, 96(3), 431-443. https://doi.org/10.1162/REST_a_00391.
- Hagen-Zanker, J., Bastagli, F., Harman, L., Barca, V., Sturge, G., & Schmidt, T. (2016). *Understanding the impact of cash transfers: the evidence*. Overseas Development Institute. <https://cdn.odi.org/media/documents/11465.pdf>.
- Hamilton, D. & Darity, W.A. Jr. (2017). The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap. Federal Reserve Bank of St. Louis *Review*, 99(1), 59-76. <https://doi.org/10.20955/r.2017.59-76>.
- Hankins, S., Hoekstra, M., & Skiba, P. (2011). The Ticket to Easy Street? The Financial Consequences of Winning the Lottery. *The Review of Economics and Statistics*, 93(3), 961-969. <https://www.jstor.org/stable/23016088>.
- Harrison, I. N. (2022, December 28). *Dr. Darity weighs in on the stereotype of Black Americans wasteful spending with reparations: Magnifying Ls, undercounting Ws*. The Moguldom Nation. <https://moguldom.com/431355/dr-darity-weighs-in-on-the-stereotype-of-black-americans-wasteful-spending-with-reparations-magnifying-ls-undercounting-ws/>.
- Heredia, L., Bartletta, S., Carrubba, J., Frankle, D., Kurihara, K., Macé, B., Palmisani, E., Pardasani, N., Schulte, T., Sheridan, B., & Xu, Q. (2020). *Global Asset Management 2020: Protect, Adapt, and Innovate* (pp. 1-27, Rep.). Boston Consulting Group. <https://www.bcg.com/publications/2020/global-asset-management-protect-adapt-innovate>
- Hillamo, H. (2020, May 25). The basic income experiment in Finland yields surprising results. *University of Helsinki*. <https://www.helsinki.fi/en/news/fair-society/basic-income-experiment-finland-yields-surprising-results>.
- Holtz-Eakin, D., Joulfaian, D., & Rosen, H. S. (1993). The Carnegie Conjecture: Some Empirical Evidence. *The Quarterly Journal of Economics*, 108(2), 413-435. <https://doi.org/10.2307/2118337>.
- Hsieh, C-T. (2003). Do Consumers React to Anticipated Income Changes? Evidence from the Alaska Permanent Fund. *American Economic Review*, 93(1): 397-405. <https://www.aeaweb.org/articles?id=10.1257/000282803321455377>.
- Imbens, G. W., Rubin, D. B., & Sacerdote, B. I. (2001). Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players. *American Economic Review*, 91(4), 778-794. <https://www.aeaweb.org/articles?id=10.1257/aer.91.4.778>.

- Johnson, D. S., Parker, J. A., & Souleles, N. S. (2006). Household Expenditure and the Income Tax Rebates of 2001. *American Economic Review*, 96(5), 1589-1610.
<https://www.aeaweb.org/articles?id=10.1257/aer.96.5.1589>.
- Joulfaian, D., & Wilhelm, M. O. (1994). Inheritance and Labor Supply. *The Journal of Human Resources*, 29(4), 1205-1234. <https://www.jstor.org/stable/146138>.
- Joulfaian, D. (2006). *Inheritance and Saving* (NBER Working Paper 12569). National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w12569/w12569.pdf.
- Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica*, 47(2), 263–291. <https://doi.org/10.2307/1914185>.
- Kaplan, H. R. (1979). *Lottery winners: How they won and how winning changed their lives*. New York: Harper and Row.
- Kaplan, H. R. (1987). Lottery winners: The myth and reality. *Journal of gambling behavior*, 3, 168-178.
<https://link.springer.com/article/10.1007/BF01367438>.
- Klein, L.R. & Liviatin, N. (1957). The Significance of Income Variability on Savings Behavior. *Bull. Oxford Inst. Stat.*, 19, 151-60. <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1468-0084.1957.mp19002006.x>.
- Kueng, L. (2018). Excess Sensitivity of High-Income Consumers. *The Quarterly Journal of Economics*, 133(4), 1693–1751. <https://doi.org/10.1093/qje/qjv014>.
- Kuhn, P., Soetevent, A., Kooreman, P., & Kapteyn, A. (2010). The Effects of Lottery Prizes on Winners and Their Neighbors: Evidence from the Dutch Postcode Lottery. *American Economic Review*, 101(5), 2226-47.
<https://www.aeaweb.org/articles?id=10.1257/aer.101.5.2226>.
- Laferrère, A., & McEntee, P. (1995). Self-employment and Intergenerational Transfers of Physical and Human Capital: An Empirical Analysis of French Data. *Economic and Social Review*, 27(1), 43-54.
<https://www.proquest.com/openview/4d349ce52d6b413ade0391da7ae8b7ec/1?pq-origsite=gscholar&cbl=1817620>.
- Larsson, B. (2011). Becoming a Winner But Staying the Same: Identities and Consumption of Lottery Winners. *American Journal of Economics and Sociology*, 70(1), 187-209.
<https://doi.org/10.1111/j.1536-7150.2010.00768.x>.
- Leigh, A. (2012). How Much Did the 2009 Australian Fiscal Stimulus Boost Demand? Evidence from Household-Reported Spending Effects. *The B.E. Journal of Macroeconomics*, 12(1), 1-4.
<https://doi.org/10.1515/1935-1690.2035>.
- Lee, F. R. (2004, May 22). *Cosby Defends His Remarks About Poor Blacks' Values*. The New York Times.
<https://www.nytimes.com/2004/05/22/arts/cosby-defends-his-remarks-about-poor-blacks-values.html>.

- Levav, J., & McGraw, A. P. (2009). Emotional Accounting: How Feelings About Money Influence Consumer Choice. *Journal of Marketing Research*, 46(1), 66-80. <https://www.jstor.org/stable/20618871>.
- Lindh, T., and Ohlsson, H. (1996). Self-Employment and Windfall Gains: Evidence from the Swedish Lottery. *Economic Journal*, 106(439), 1515-26. <https://doi.org/10.2307/2235198>.
- Lindqvist, E., Östling, R., & Cesarini, D. (2020). Long-Run Effects of Lottery Wealth on Psychological Well-Being. *The Review of Economic Studies*, 87(6), 2703-2726. <https://doi.org/10.1093/restud/rdaa006>.
- Lowrey, A. (2019, May 25). *The City That's Giving People Money*. The Atlantic. <https://www.theatlantic.com/ideas/archive/2019/05/stockton-california-giving-people-money/590191/>.
- Lozza, E., Carrera, S., & Bosio, A. C. (2010). Perceptions and outcomes of a fiscal bonus: Framing effects on evaluations and usage intentions. *Journal of Economic Psychology*, 31(3), 400-404. <https://doi.org/10.1016/j.joep.2010.01.008>.
- Lusardi, A. (2007). *Household Saving Behavior: The Role of Literacy, Information and Financial Education Programs (NBER Working Paper 13824)*. National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w13824/w13824.pdf.
- Marinescu, I. (2017, May). *No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs*. New York: Roosevelt Institute. <https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-No-Strings-Attached-201705.pdf>.
- Mikhed, V., & Scholnick, B. (2016). *The Causes of Household Bankruptcy: The Interaction of Income Shocks and Balance Sheets* (Working Papers 16-19). Federal Reserve Bank of Philadelphia. <https://www.philadelphiafed.org/consumer-finance/consumer-credit/the-causes-of-household-bankruptcy>.
- Mikhed, V., Raina, S., & Scholnick, B. (2019). *Financial Constraints of Entrepreneurs and the Self-Employed* (Working Papers 19-52). Federal Reserve Bank of Philadelphia. <https://www.philadelphiafed.org/consumer-finance/consumer-credit/financial-constraints-of-entrepreneurs-and-the-self-employed>.
- Nance-Nash, S. (2021, May 27). *4 ways the US can pay reparations for slavery, not direct cash*. Business Insider. <https://www.businessinsider.com/personal-finance/ways-pay-reparations-for-slavery-2021-5?amp>.
- Nocera, J. (2012, December 01). *The Bad Luck of Winning*. New York Times. <https://www.nytimes.com/2012/12/01/opinion/nocera-the-bad-luck-of-winning.html>.
- Nteta, T. (2023, January 13). "Toplines and Crosstabs Jan. 2023: Race, Antisemitism, Reparations, and The 'Great Replacement'" *UMass Amherst Poll*. <https://polsci.umass.edu/toplines-and-crosstabs-jan-2023-race-antisemitism-reparations-and-great-replacement>.

- Parker, J. A. (1999). The Reaction of Household Consumption to Predictable Changes in Social Security Taxes. *The American Economic Review*, 89(4): 959–73. <http://www.jstor.org/stable/117167>.
- Perez, A. & Byron Campbell, N. (2022, July 08). *Ending pandemic aid created a disaster*. The Lever. <https://www.levernews.com/ending-pandemic-aid-created-a-disaster/>.
- Perez-Lopez, D. J., & Monte, L. M. (2022, April 12). Household pulse survey shows stimulus payments have eased financial hardship. <https://www.census.gov/library/stories/2021/03/many-american-households-use-stimulus-payments-to-pay-down-debt.html>.
- Picchio, M., Suetens, S. & van Ours, J.C. (2018). Labour Supply Effects of Winning a Lottery. *The Economic Journal*, 128(611): 1700-1729. <https://doi.org/10.1111/econ.12465>.
- Pinto, A. D., Perri, M., Pedersen, C. L., Aratangy, T., Hapsari, A. P., & Hwang, S. W. (2021). Exploring different methods to evaluate the impact of basic income interventions: A systematic review. *International Journal for Equity in Health*, 20(142). <https://doi.org/10.1186/s12939-021-01479-2>.
- Rothwell, J., & Harlan, J. (2019). *Gig Economy and Self-Employment Report 2019*. Intuit Quickbooks. <https://quickbooks.intuit.com/content/dam/intuit/quickbooks/Gig-Economy-Self-Employment-Report-2019.pdf>.
- Sahm, C. R., Shapiro, M. D., & Slemrod, J. (2012). Check in the Mail or More in the Paycheck: Does the Effectiveness of Fiscal Stimulus Depend on How It Is Delivered? *American Economic Journal: Economic Policy*, 4(3), 216-50. <https://doi.org/10.1257/pol.4.3.216>.
- Stergiopoulou, E., Lopes Portela, S., & Menezes, R. (2013). Mental Budgeting and the Management of Household Finance in Kastoria City (Greece). *International Journal of Academic Research*, 5(5), 145-150. https://www.researchgate.net/publication/272877205_Mental_budgeting_and_the_management_of_household_finance_in_Kastoria_City_Greece.
- Stern, S. W. (2020, April 17). *COVID-19 and the Revival of the "Welfare Queen" Myth*. Boston Review. <https://www.bostonreview.net/articles/scott-w-stern-covid-19-and-welfare-queens/>.
- Stockton Economic Empowerment Demonstration. (2021, March 3). *Guaranteed Income Increases Employment, Improves Financial and Physical Health* [Press release]. <https://www.stocktondemonstration.org/press-landing/guaranteed-income-increases-employment-improves-financial-and-physical-health>.
- Strömbäck, C., Lind, T., Skagerlund, K., Västfjäll, D., & Tinghög, G. (2017). Does self-control predict financial behavior and financial well-being? *Journal of Behavioral and Experimental Finance*, 14, 30-38. <https://doi.org/10.1016/j.jbef.2017.04.002>.

- Tang, N., & Baker, A. (2016). Self-esteem, financial knowledge and financial behavior. *Journal of Economic Psychology*, 54, 164-176. <https://doi.org/10.1016/j.joep.2016.04.005>.
- Taylor, M. (2001). Self-Employment and Windfall Gains in Britain: Evidence from Panel Data. *Economica*, 68(272), 539-565. from www.jstor.org/stable/3549118.
- The Onion. (2012, November 29). *Powerball Winners Already Divorced, Bankrupt*. The Onion. <https://www.theonion.com/powerball-winners-already-divorced-bankrupt-1819574265>.
- Traub, A., Sullivan, L., Meschede, T., & Shapiro, T. (2017, February 6). *The Asset Value of Whiteness: Understanding the Racial Wealth Gap*. Demos. https://www.demos.org/sites/default/files/publications/Asset%20Value%20of%20Whiteness_0.pdf.
- Ueno, H., & Ives, M. (2022, May 19). *A Town's Covid Money Was Sent to One Man in Error. He Gambled it All Away*. The New York Times. https://www.nytimes.com/2022/05/19/world/asia/japan-covid-relief-funds-gambler.html?campaign_id=9&emc=edit_nn_20220519&instance_id=61798&nl=the-morning®i_id=75046029&segment_id=92721&te=1&user_id=67a0f780be06efa92e742956f93d7659.
- Vance, J. D. (2016). *Hillbilly Elegy*. HarperCollins Books.
- Wiggins, L. L., Nower, L., Mayers, R. S., & Peterson, N. A. (2010). A geospatial statistical analysis of the density of lottery outlets within ethnically concentrated neighborhoods. *Journal of Community Psychology*, 38, 486–496. <https://doi.org/10.1002/jcop.20376>.
- Zagorsky, J. L. (2013). Do People Save or Spend Their Inheritances? Understanding What Happens to Inherited Wealth. *Journal of Family and Economic Issues*, 34, 64-76. <https://doi.org/10.1007/s10834-012-9299-y>.