

# EDITOR'S NOTE

## Living on the Edge

Over the last three decades, the divide between the very wealthy and just about everyone else living in the United States has grown dramatically. To cite just one measure: America's 20 wealthiest people—Jeff Bezos, Bill Gates, Warren Buffett, et al.—now own more wealth than the entire bottom half of the US population.

As alarming as that number is, what is equally if not more alarming is the absolute lack of wealth of many Americans. After all, if every American were well off financially and able to afford the important things in life, wealth inequality per se would be less of a problem.

But many Americans are not well off. In fact, a substantial percentage of the US population is living on the edge financially. "Four in 10 adults, if faced with an unexpected expense of \$400, would either not be able to cover it or would cover it by

selling something or borrowing money," according to a 2017 report by the US Federal Reserve Board of Governors.

That's an astounding statement. Think of how many situations ordinary Americans might find themselves in where \$400 is the difference between financial stability and instability: airfare to attend the funeral of a loved one, a plumber to fix a broken pipe, an auto shop to fix a car's transmission, an emergency room visit for a sick child. The list goes on and on.

The United States is a wealthy country, and many of the businesses that are based here are similarly well off. There is no excuse for so many people to be in such a precarious financial situation.

Financial precarity has a detrimental impact on individuals, families, and communities. "Incessant worry about money is associated with poorer health, lower levels of happiness, and increased social isolation," writes Carrie Leana in the article

"The Cost of Financial Precarity," in this issue of *Stanford Social Innovation Review*.

Government has an important role to play in fixing this problem. Consider the impact that the minimum wage and state-mandated maternity and paternity leave have on reducing financial precarity. But in a capitalist society where businesses have a great deal of autonomy and impact on people's lives, laws are necessary but not sufficient.

Companies themselves must take steps to improve the financial well-being of their employees, even without government prodding. And the way to get companies to do that is to show them that it is in their self-interest to do so. Simply appealing to a company's moral compass is not enough.

Leana (a professor at the University of Pittsburgh) and her colleagues have conducted a wide range of research that clearly shows the negative impact that employee financial precarity has on a company. For example, short-haul truck drivers who are worried about money are more likely to get into a vehicular accident while on the job. And financially strapped nursing aides working at skilled nursing facilities are less likely to notice changes in patients' health.

Companies are in a position to rectify this problem by paying higher wages and offering better benefits. It's time for socially responsible business leaders to take up this important challenge. —ERIC NEE

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