

# The *Safe* Non-Hand-to-Mouth

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## Abstract

Standard consumption theory predicts that marginal propensities to consume (MPCs) decline with cash-on-hand. By introducing heterogeneity in the curvature of the consumption function and its covariance with income, I show that this relationship reflects only *local* heterogeneity: it holds within a given concave function but not necessarily across functions with different degrees of concavity—driven by heterogeneity in income risk, preferences, or constraints. Stronger concavity leads to a steeper MPC decline with cash, introducing a “curvature effect” that captures asset dynamics beyond levels. When more concave types have low income, the curvature effect can dominate, making cash-on-hand an insufficient statistic. I formalize this mechanism by deriving new indices of *intertemporal* prudence and risk aversion, and apply it to study labor income risk heterogeneity. Two key predictions are verified empirically: (i) higher risk lowers MPCs, *ceteris paribus*; (ii) high-cash, low-risk households (Safe Non-Hand-to-Mouth) exhibit higher MPCs. The findings reveal a fiscal trade-off between stimulus and insurance, with new implications for household heterogeneity in aggregate dynamics.