FINANCED MOBILITY:
PARENTS’ CONSUMER CREDIT HISTORIES
AND YOUNG ADULT OUTCOMES

Dissertation

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy
in the Graduate School of The Ohio State University

By

Laura Summer McCloud, M.A.
Graduate Program in Sociology

The Ohio State University
2010

Dissertation Committee:
Rachel E. Dwyer, Co-Advisor
Robert L. Kaufman, Co-Advisor
Claudia Buchmann
Zhenchao Qian
ABSTRACT

The democratization of credit introduced consumer loans, particularly in the form of credit cards, to an increasing number of American households. Despite the salience of this financial resource, stratification researchers have yet to explore whether or not households use consumer credit as a financial resource to aid their children’s status attainment. The prevailing assumption about consumer credit is that it is a liability that subtracts from a household’s ability to accumulate resources. In this dissertation, I instead conceptualize consumer debt as a valuable financial resource that allows parents an additional means of investment in their young adult children. Because I expect resources to create cumulative advantage, I measure parents’ consumer credit use over a 30-year span to understand how their histories of indebtedness influence their ability to invest in their children during young adulthood. I argue that parents’ consumer credit use allows parents provide financial support for their young adult children which extends their adolescence and protects them from financial hardship during early adulthood. During this extended adolescence, young adults whose parents use consumer debt, I argue, will be more likely to pursue a college education and graduate with a Bachelor’s degree.

I find that parents’ consumer debt meaningfully influences their young adult children similar to my expectations. When parents use consumer debt over time, they
are more likely to financially provide for their young adult children. The advantages their children see from this financial investment also makes them more likely to enroll in college and graduate with a Bachelor’s degree. Moreover, when parents have a history of not carrying consumer debt over time or historically carry low balances, I find their children are significantly less likely to receive help with educational expenses, are less likely to enroll in or graduate from college, and are more likely to experience financial hardships during young adulthood.

I additionally find that parents’ consumer credit histories influence the debt behaviors of their young adult children. I find that young adults whose parents have histories of low consumer debt are less likely to have education or consumer debt and carry less consumer debt when they do have loans. These young adults also have histories of carrying lower balances throughout their early adulthood. Young adults with high debt parents, on the other hand, are more likely then their peers whose parents have different debt experiences to carry education and consumer loans; they also carry higher balances on both forms of debt. I also find that young adults with high-debt parents are more likely than their peers to have histories of carrying high consumer loans during young adulthood.

My findings suggest that parents’ consumer debt use benefits their young adult children by using debt to extend their adolescence, making it more likely that their children enroll in and graduate from college. However, by normalizing debt use, parents who carry high consumer balances over time also raise young adult children that are increasingly likely to become debtors themselves. Therefore, while the advantages of
parents’ debt to young adults during early adulthood seem undeniable, the later impact of having to pay these debts may jeopardize young adults’ early status attainment.
DEDICATION

I dedicate this dissertation to my mother, who helped me achieve my educational goals in innumerable ways, and to Josh, for keeping me sane, happy, and fed through this process.

I also dedicate this dissertation to my father and step-father, whom I deeply miss.
ACKNOWLEDGEMENTS

Although it may not be the way the adage goes, I quickly learned it takes a village to write a dissertation. I received support from a host of people without whom this dissertation would have never come to fruition. First, I owe my deepest gratitude to my advisors, Rachel Dwyer and Robert Kaufman. Rachel emerged early in my career as my intellectual mentor. She helped me channel my feelings about stratification and inequality from a general malaise to a scholarly passion. She challenged me to think about stratification and consumer debt in ways I would have never considered alone. In collaboration with her, I became able to accurately understand the importance of debt in the American stratification system. I also learned an incredible amount from Rachel about the profession and managing my worklife. She taught me the value of pushing myself—a skill that will benefit me most throughout my career. Bob also helped me channel my curiosities about stratification and inequality. He gave me uncountable hours of guidance and was always available to help me work through ideas. He provided invaluable and instant feedback on anything I sent him. Even when he accepted a position as Assistant Dean at OSU or moved to Philadelphia to become Chair at Temple, Bob maintained an open door, sent quick e-mail responses, or took my panicked phone calls with a calm, cheerful voice. Bob took time from his brief visits with his family to help me with my work—be it a pressing matter, like properly specifying trajectory groups and structuring the arguments in my dissertation or more trivial matters like my anxieties...
about writing, the job market, or graduate school generally. Thanks to Rachel and Bob, I am a better scholar and a better person.

I would also like to thank Claudia Buchmann and Zhenchao Qian. Claudia helped me develop my interest in educational attainment as a stratification outcome. Through working with me on my candidacy exams and my job talk, she helped me narrow down exactly what it was about stratification and attainment I was interested in discovering. Perhaps more importantly, she taught me how to better articulate my arguments to others. I also appreciate Zhenchao’s willingness to serve on my committee and provide useful feedback on my research on relatively short notice. I learned an invaluable amount from Zhenchao as a graduate student and am honored to have him on my committee. He taught me how to be a methodical and capable quantitative researcher—an incredibly valuable skill I acquired in our graduate program. Both Claudia and Zhenchao, despite having their own advisees, being busy with their own work, and transitioning into important positions in our department, took the time to read my work and thoughtfully comment on it. I am indebted to them for their help.

This dissertation would have also never been written without the support of my family. My mother, Carolyn Jones, made countless sacrifices to help me pursue my education and become an academic. She was always there to share my successes and counsel me through my failures. My husband, Joshua Taylor, also supported me in ways I may never be able to articulate. He happily ran our household and became the general director of my life during times when I was overwhelmed with my work and my studies. Most importantly, though, he reminds me how important it is to stop and have a bit of fun every now and then.
I could write lengthy descriptions about the support I received from many others but will instead mention them only briefly. For their support, I thank my entire family; especially my Grandmother, Laura Davis, and my in-laws, Rebecca and Keith Taylor. I thank my graduate colleagues who pushed me to think deeper and differently about our discipline, suffered with me through difficult coursework, and shared some of the best, most enjoyable years of my life. I especially thank Lindsey Peterson, Tom Maher, Jamie Lynch, Alexa Trumpy, Amanda Miller, Dan Carlson, Richard Petts, Amy Holliday, Lauren Pinkus, and Paul Malackany. Your willingness to always talk shop, even off-campus, made me a better sociologist and a better person. I also thank the Sociology Department at OSU for financially supporting me throughout graduate school and providing an amazing environment for my intellectual journey. I particularly appreciate what I learned from and the opportunities to work with Rachel, Bob, Claudia, Zhenchao, Randy Hodson, Craig Jenkins, Laurie Krivo, and Ruth Peterson. Finally, I want to thank the Sociology Department at Pacific Lutheran University for hiring me as an Assistant Professor and giving me the opportunity to join a truly wonderful department.
VITA

2003……………………………………………BA, Sociology, University of Cincinnati

2006………………………………………………MA, Sociology, The Ohio State University

2003-2010……………………………Research Assistant, Instructor, Teaching Assistant, The Ohio State University

Publication


Fields of Study

Major Field: Sociology
# TABLE OF CONTENTS

Abstract........................................................................................................................................... ii

Dedication.......................................................................................................................................... v

Acknowledgements......................................................................................................................... vi

Vita..................................................................................................................................................... ix

List of Tables...................................................................................................................................... xiii

List of Figures..................................................................................................................................... xv

Chapters:

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>1.1 The Contribution of This Study</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>1.2 Overview of the Current Study</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>Conceptual Argument</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>2.1 Wealth, Debt, and Status Attainment</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>2.2 Extended Adolescence and Inequality</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>2.3 Direct Influences of Financial Resources</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>2.4 Indirect Influences of Financial Resources</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>2.5 Conceptual Model of Parents’ Debt and Young Adults’ Status Attainment</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>2.6 Expectations for Financial Transfers to Young Adult Children by Parents’ Debt Histories</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>2.7 Expectations for Parents’ Debt Use Influencing Educational Attainment in Young Adults</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>2.8 Expectations for Young Adults’ Debt Use, Debt Histories, and Financial Health by Parents’ Debt Use</td>
<td>27</td>
</tr>
<tr>
<td>3.</td>
<td>Data, Methods, and Analytic Strategy</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>3.1 Data</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>3.2 Measures</td>
<td>33</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS continued

3.3 Parental Investment.................................................................35
3.4 Educational Attainment.........................................................38
3.5 Financial Outcomes..............................................................39
3.6 Developmental Trajectory Analysis.........................................41
3.7 Independent Variable: Parents’ Consumer Debt Histories............44
3.8 Parents’ Income.................................................................47
3.9 Control Variables...............................................................47
3.10 Analytic Strategies............................................................48
3.11 Limitations of the Study.....................................................48

4. Parents’ Debt and Financial Transfers to Their Young Adult Children....55
4.1 Descriptive Findings: Parents’ Debt Histories..........................57
4.2 Descriptive Findings of Parental Indebtedness in Young Adult Children by Parents’ Debt Histories.................................61
4.3 Multivariate Findings of Young Adults Living at Home by Parents’ Debt.................................................................64
4.4 Multivariate Findings of Contributing to Young Adults’ General Expenses by Parents’ Debt Experience.................................67
4.5 Multivariate Findings of Contributing to Young Adults’ Education Expenses by Parents’ Debt Experience.................................70
4.6 Discussion of Multivariate Findings........................................72

5. Parents’ Debt History and Educational Attainment of Their Young Adult Children.................................................................87
5.1 Descriptive Findings of Educational Attainment in Young Adults by Parents’ Debt.................................................................90
5.2 Multivariate Findings of Young Adults Attending College by Parents’ Debt.................................................................92
5.3 Multivariate Findings on Young Adults Likelihood of Graduating from College by Parents’ Debt.................................................................94
5.4 Multivariate Findings of Young Adults Having Student Loans by Parents’ Debt.................................................................96
5.5 Multivariate Findings of Young Adults’ Education Debt by Parents’ Debt.................................................................98
5.6 Discussion of Findings..........................................................100

6. Young Adults’ Consumer Debt and Financial Health by Parents’ Debt........112
6.1 Descriptive Findings of Young Adults’ Debt by Parents’ Debt........114
6.2 Multivariate Findings of Young Adults’ Consumer Debt Use and Balances by Parents’ Debt.................................................................116
6.3 Descriptive Findings of Young Adults’ Consumer Debt Histories........120
6.4 Multivariate Findings of Young Adults’ Consumer Debt Histories by Parents’ Debt Histories.................................................................124
# TABLE OF CONTENTS continued

6.5 Financial Hardships ................................................................. 126  
6.6 Descriptive Findings of Young Adults’ Experiences with Financial Hardships ................................................................. 128  
6.7 Multivariate Findings of Young Adults’ Hardship Experiences by Parents’ Debt ................................................................. 129  
6.8 Discussion of Findings ............................................................... 130  

7. Conclusion .................................................................................. 142  
7.1 Parental Investment ................................................................... 143  
7.2 Educational Attainment .............................................................. 145  
7.3 Consumer Debt Use, Financial Behavior, and Financial Health ........................................................................ 146  
7.4 Theoretical Implications of This Research ......................... 148  
7.5 Policy Implications of This Research ....................................... 150  
7.6 Avenues for Future Research ...................................................... 152  

List of References ............................................................................. 157
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Operationalization of Variables in Multivariate Analysis</td>
<td>51</td>
</tr>
<tr>
<td>3.2</td>
<td>Weighted Means and Standard Deviations of Variables in Multivariate Analysis</td>
<td>54</td>
</tr>
<tr>
<td>4.1</td>
<td>Young Adults’ Parents Debt Groupings</td>
<td>81</td>
</tr>
<tr>
<td>4.2</td>
<td>Young Adults’ Parents’ Experiences with Debt by Parents’ Social Statuses</td>
<td>82</td>
</tr>
<tr>
<td>4.3</td>
<td>Descriptive Findings of Parental Investment by Parents’ Debt Experiences</td>
<td>83</td>
</tr>
<tr>
<td>4.4</td>
<td>Logistic Regression Coefficients and Odds Ratios of Young Adults Living at Home by Parental Indebtedness and Young Adults’ Characteristics</td>
<td>84</td>
</tr>
<tr>
<td>4.5</td>
<td>Logistic Regression Coefficients and Odds Ratios of Young Adults Receiving More than Half of Their General Expenses from Parents by Parental Indebtedness and Young Adults’ Characteristics</td>
<td>85</td>
</tr>
<tr>
<td>4.6</td>
<td>Logistic Regression Coefficients and Odds Ratios of Young Adults Receiving Help with College Expenses from Parents by Parental Indebtedness and Young Adults’ Characteristics</td>
<td>86</td>
</tr>
<tr>
<td>5.1</td>
<td>Respondents’ Educational Attainment Outcomes by Parents’ Debt</td>
<td>107</td>
</tr>
<tr>
<td>5.2</td>
<td>Logistic Regression Coefficients and Odds Ratios of Young Adults Enrolling in College by Parents’ Debt</td>
<td>108</td>
</tr>
<tr>
<td>5.3</td>
<td>Logistic Regression Coefficients and Odds Ratios of Attaining a Bachelor’s Degrees by Parents’ Debt for All Ever Enrolled Young Adults</td>
<td>109</td>
</tr>
<tr>
<td>5.4</td>
<td>Logistic Regression Coefficients and Odds Ratios of Having Education Loans by Parents’ Debt for All Ever Enrolled Young Adults</td>
<td>110</td>
</tr>
<tr>
<td>5.5</td>
<td>Tobit Regression Coefficients of Young Adults Logged Education Debt By Parents’ Debt for All Ever Enrolled Young Adults</td>
<td>111</td>
</tr>
</tbody>
</table>
LIST OF TABLES continued

6.1 Amount of Consumer Debt Held by Parents’ Debt Grouping.....................135

6.2 Logistic Regression Coefficients and Odds Ratios of Young Adults Having Consumer Debt by Parents’ Debt and Control Variables......................136

6.3 Tobit Regression Coefficients of Young Adults’ Logged Outstanding Credit Card Balances by Parents’ Debt and Control Variables.........................137

6.4 Percentage of Young Adults with Shared Consumer Debt Experiences by Parents’ Debt Grouping..........................................................138

6.5 Multinomial Logistic Regression of Young Adults Having a History Of Some or High Consumer Debt as Compared to Low Consumer Debt by Parents’ Debt and Control Variables........................................139

6.6 Percentage of Respondents Who Experience Hardships by Parental Debt......140

6.7 Logistic Regression Coefficients and Odds Ratios of Young Adults’ Hardships by Parents’ Debt and Control Variables.................................141
**LIST OF FIGURES**

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Conceptual Model of Parents’ Influence on Children’s Status Attainment</td>
<td>30</td>
</tr>
<tr>
<td>1.2</td>
<td>Conceptual Model of Parents’ Indebtedness on Young Adult Children’s Status Attainment</td>
<td>31</td>
</tr>
<tr>
<td>4.1</td>
<td>DTA Produced Group of Logged Amount of Outstanding Consumer Debt Parents Carry</td>
<td>77</td>
</tr>
<tr>
<td>4.2</td>
<td>Median Debt by Age for Low Mid-Life Debt Parents</td>
<td>78</td>
</tr>
<tr>
<td>4.3</td>
<td>Median Debt by Age for Falling Mid-Life Debt Parents</td>
<td>79</td>
</tr>
<tr>
<td>4.4</td>
<td>Median Debt by Age for High Mid-Life Debt Parents</td>
<td>80</td>
</tr>
<tr>
<td>6.1</td>
<td>DTA Produced Groups by Amount of Outstanding Consumer Debt Young Adults Carry by Age</td>
<td>133</td>
</tr>
<tr>
<td>6.2</td>
<td>Median Consumer Debt Balances by Age for Young Adult Debt Groupings</td>
<td>134</td>
</tr>
</tbody>
</table>
CHAPTER 1
INTRODUCTION

The tradition of American status attainment research focuses primarily on the extent to which one’s social class is earned through the accomplishments of the individual and the extent to which one’s social class is ascribed from his or her parents. Forty years of impressive investigation on this topic finds that one’s status attainment is a complex endeavor, far too complicated to be entirely attributed to only achievement or ascription (see Blau and Duncan 1967; Erikson and Goldthorpe 1992; Hout 1988). Contemporary scholars of status attainment, instead, focus on mechanisms through which social mobility is both ascribed and achieved. Researchers identify numerous mechanisms to explain the likelihood that an individual will continue in the social class of his or her parents or achieve mobility into a different location. While status attainment research has been successful in explaining the relationship between parents’ statuses and children’s attainment, we should not expect that all mechanisms of transmission have been uncovered. In this dissertation, I argue that one overlooked resource on young adults’ status outcomes is their parents’ history of consumer debt use. I find that, net of
other important factors, parents use consumer debt over time as a financial resource which they invest in their young adult children. Through these investments parents extend their children’s adolescence, making the children of chronic debtors have prolonged adolescence, be more likely to attend and graduate college and be more likely to be sheltered from hardship in early adulthood. I also find that young adults follow similar debt behaviors as their parents—a behavior which, in time, may jeopardize the benefits awarded to young adults from their parents’ consumer debt use.

Consumer debt has a ubiquitous presence in the financial portfolio of American households. Prior to 1958, when Bank of America first developed revolving credit accounts issued to individual consumers (Ritzer 1996), the majority of Americans used installment loans to purchase goods they needed, but did not have the available cash to buy. Revolving credit, unlike the previous available form of debt, installment loans, does not specify the item to be purchased by the loan or the fixed, final price. Revolving credit differs because repayment fluctuates according to the consumer’s potentially changing balance on the loan. Credit cards, the most popular form of revolving debt were welcomed at more and more establishments as they rose in popularity throughout the 1970s and 1980s. Currently, there are few resources individuals buy with cash that they cannot as easily purchase using consumer credit. The liquidity of consumer loans makes them an especially valuable financial resource for households; consumer loans not spent as cash can be transferred into high interest cash loans. Moreover, consumer loans are a valuable financial resource because terms are incredibly flexible and the loan can be spent at the consumer’s discretion. I argue these characteristics encourage households to use consumer debt like other financial resources. Following this logic, I also expect that
the children of chronic debtors will see additional investment benefits functioning similar to but net of income or assets. Namely, parents will use consumer credit to provide their young adult children with advantages whenever possible.

The democratization of credit helped consumer loans become a viable form of parental investment in their children. Consumer credit, like any valuable resource, was initially withheld from lower strata populations. By 1990, however, consumer credit was mostly democratized primarily because of policy shifts allowing harsh penalties for consumers who were unable to pay balances in full, making marginalized populations the most profitable borrowers for credit issuers (Squires 2004). On the heels of these policy changes, banks began mass-issuing consumer loans to a broader customer base, often making it so easy to obtain a loan that consumers only need to fill out and return mailed solicitations offering pre-approved credit. While the terms of the newly democratized loans were not ideal, consumers still accepted the loans. Americans, at the end of 2009, held $866 billion dollars of revolving debt (Federal Reserve 2010), suggesting that households have fully embraced consumer credit. As consumer loans made their way in more and more households they became an available financial resource to an increasing range of families.

Because consumer debt is a relatively new phenomenon, we know very little about the impact of consumer credit use over time on American families. We do, though, have some indirect glimpses of how households use this relatively new resource. Researchers use macro-level data to link consumer credit use to an increase in status goods consumption (Schor 1999, Frank 2007, Dwyer 2009) and to explain how families sustain or increase lifestyle norms in a period of declining wages and job security.
(Christen and Morgan 2005, Leicht and Fitzgerald 2006). However, no status attainment research investigates how parents’ consumer credit use relates to investment in their children or how children’s subsequent status attainment relates to by their parents’ history of credit use. I address this gap using nationally representative data to show that young adults mostly benefit by their parents’ consumer credit use and are penalized by parents who do not use consumer credit as a financial resource.

1.1 The Contribution of This Study

My dissertation research makes two contributions to the discipline. First, I add to the literature on consumer credit by conceptualizing it as a means of investment, similar to other financial resources available to households. Especially in the popular press and media, consumer credit, and especially credit card loans, are heralded as vehicles of profligate waste and over consumption (Dell 2008; Kiviat 2009; Schor 2004; De Graaf, Wahn, and Naylor 2005). I propose that we should instead see consumer debt as a resource used to address need (similar to Sullivan, Warren, and Westbrook 2001 and Leicht and Fitzgerald 2006) or as means of investment. Moreover, I extend our understanding of consumer debt by operationalizing it as consumers experience it—over the life course with balances that fluctuate over time. Consumer debt, at any point in time, can introduce a temporary strain or a needed income boost to a household. Measures that allow balances to fluctuate help us fully understand the financial influence of debt. I measure debt histories over time because customers borrow from and repay consumer loans at their own discretion. In this dissertation, to examine debt histories over time, I use Developmental Trajectory Analysis to place parents into groups based on their debt experiences during a 30-year period. This methodology allows me to better
understand parental indebtedness as a fluid experience that can have differing impacts on
young adults’ outcomes.

Second, I show that consumer debt use over time can materialize as an investment
in children which produces positive returns and functions similar to, but net of, income
(see Haverman, Wolfe, and Spaulding 1991) or wealth (see Conley 2001). Consumer
credit may slowly be becoming a necessity to compensate for lost income (Leicht and
Fitzgerald 2006). As the expectations of adolescence are shifting to include a college
education, some American youth do not transition into financial independence until their
late 20s or early 30s (Arnett 2008). Extended adolescence both prolongs the demand on
parents for support and increases the resources they need to contribute to their young
adult children. By extending adolescence parents give their young adult children an edge
over their peers who transition directly into adulthood after high school. This is mostly
because young adults who extend adolescence do so to attend college or gain educational
credentials. Consumer credit use over time is one resource parents can use to gain the
extra financial resource it takes to provide for their young adult children during college or
into their 20s. Certainly, accelerated interest charges, annual and delinquency fees, and
other penalties make consumer credit a worse source of investment in children than cash.
Consumer debt provides a resource for households to invest in their children without
excessive income or savings and it allows households with existing resources an
additional resource to invest in their young adult children. Therefore, I expect this
resource to provide noticeable benefits to the children.

In this dissertation, I show that parents’ histories using consumer credit
contributes to status attainment in young adults. Consumer credit provides additional
financial resources to households giving them a means of investing in their children. Societal changes have made extending adolescence and pursuing higher education increasingly important for young adults who wish to attain a middle-class or higher status in society. Parents report feeling this pressure and express a desire to invest in their children—especially in terms of educational expenses (Descartes 2006). In the following chapters, I will highlight several ways that parents’ debt helps their children’s status attainment. First, I show that high debt parents extend their young adult children’s adolescence by letting their young adult children live at home longer. High debt parents are also more likely to contribute to their children’s general and education expenses. Second, I show that children of high debt parents are more likely to enroll in and graduate from college. Third, I find that children of high debt parents are less likely to experience financial hardships than their peers whose parents have a different debt history. In most instances, I find that young adults with low debt parents are less likely to receive these advantages than their peers whose parents repay their consumer debts during adulthood.

However, I also find that debt behaviors often transmit between generations. Young adults with low debt parents are less likely to carry education or consumer debt and carry less education and consumer debt when they have debt. Similarly, I find that young adults with high debt parents are more likely to carry education or consumer debt and carry more education and consumer debt when they have debt. Therefore, I fear that these advantages in early adulthood could threaten young adults’ status attainment in later life should an unexpected hardship jeopardize the ability to repay the debt they accumulate in early adulthood.
1.2 Overview of the Current Study

In Chapter 2, I present my conceptual argument. Here, I detail what debt contributes to the study of intergenerational mobility. I highlight extended adolescence as a key time for the transmission of social class between generations and show how parental finances can aid young adults looking to achieve middle-class or higher standing. I also present the hypotheses I test in Chapters 4-6.

In Chapter 3, I describe the data set I use in my analyses. I detail how I operationalize the variables in my analyses, and I briefly describe my analytic strategy for the multivariate analyses I conduct. Finally, I highlight the methodological limitations in my data and describe how I correct for these issues to increase the generalizability of my results.

In Chapter 4, I present the results of my analyses on the impact of parents’ debt over time on their likelihood to provide housing to, pay any of the general expenses of, or contribute to the educations of their young adult children. In Chapter 5, I extend this analysis and look at how parents’ debt histories influence their young adult children’s educational attainment. I also examine how parents’ debt influences the likelihood their children take student loans to finance their education and the amount of student loan debt their children take. In Chapter 6, my final analytic chapter, I explore how parents’ debt throughout the life course affects the likelihood that their young adult children carry consumer debt, the balances they carry, and young adults’ experiences carrying consumer debt throughout young adulthood. In Chapter 6, I also look at young adults’ likelihood of experiencing financial hardships and investigate how parents’ debt influences the hardships their young adult children face. Finally, I conclude my dissertation in Chapter
7, where I highlight my findings and describe the theoretical and policy implications of my research. I end by discussing possibilities for future research on the relationship between consumer debt use over time and intergenerational mobility.
CHAPTER 2

CONCEPTUAL ARGUMENT

Attainment and mobility literature is a central contribution of American sociology to the study of social class stratification. First established in Blau and Duncan’s *The American Occupation Structure* (1967), attainment research essentially asks the question, as Cocoran (1992) summarizes, “How much does being born into one family rather than another determine outcomes?” Status attainment research waned in the 1980s and 1990s, despite a rich and lively beginning. This decline reflected a shift in the discipline toward investigating ascription-based forms of stratification, particularly race and gender (Kerbo 2007). Contemporary mobility research explores how parents’ resources impact child outcomes. Research here shows that resources matter, but not to the point of making social class entirely ascribed (see Blau and Duncan 1967, Hout 1988, Featherman and Hauser 1978, Beller 2009, Cocoran 1995). Contemporary research also shows that structural factors influence stratification by shaping the availability and distribution of resources. Research here shows there is a visible decrease in the amount of intergenerational mobility when income inequality is greater in a child’s generation than
in the parents (Solon 2001). These findings suggest that structural factors play as important a role in the study of intergenerational mobility as individual resources. I additionally suggest that structural factors must be considered when studying individual movement in the class structure (Beller and Hout 2009). One structural factor which has been ignored in the literature is the rise of consumer debt as a financial resource in American households. An examination of the impact of the increasing availability of consumer debt on intergenerational mobility is well overdue. This work extends status attainment research by exploring how parents’ debt histories over time influence young adults’ status attainment and how this influence varies by the relative level of parents’ indebtedness.

In this dissertation, I take the fundamental assumption of status attainment research—that the transmission of status materializes from opportunities and resources parents make available to their children (Spilerman 2000; Blau and Duncan 1967; Sewell, Haller, and Portes 1969; Corcoran 1995; Featherman and Hauser 1978)—and explore how one aspect of parents’ financial experiences, their history of indebtedness, impacts attainment outcomes in their young adult children. In the pages that follow, I will show that consumer debt, while not the driving mechanism of class mobility or reproduction, is nonetheless a significant and integral factor in the reproduction of social class in the United States. I first discuss wealth research, highlighting how wealth research introduces debt as a meaningful factor in inequality. From there, I discuss oversights or misunderstandings about debt, particularly consumer debt, unintentionally perpetuated by wealth scholarship. I highlight why we should expect debt to serve as a financial resource that can advantage the recipient. Next, I detail how debt facilitates the transmission of
social advantage. I argue that extended adolescence is a central time when young adults are stratified. Parents who, through credit use, provide their young adult children with important resources, like a college education or protection from hardship, also give them a meaningful advantage over their peers whose parents do not use all available resources to invest in them. In this section, I emphasize literature on stratification in early adulthood through financial transfers between parents and children illustrating how debt should behave similarly. I then move to discuss ways parents can use consumer debt to directly influence mobility in their children, namely, delaying their entry into adulthood and providing them with the opportunity to pursue a college education. I also discuss how parents’ debt can indirectly influence their young adult children by financially socializing them to become or avoid becoming debtors. I conclude this chapter by presenting my conceptual models and detailing my expectations for the relationships between parents’ experiences with consumer debt and the status attainment of their young adult children.

2.1 Wealth, Debt, and Status Attainment

Sociology saw an increase in wealth scholarship at the turn of the 21st century. Wealth is an interesting measure of stratification because it provides a more cumulative insight into the lived financial experience of individuals than does income (Oliver and Shapiro 1996, Spilerman 2000, Keister and Moller 2000). Wealth is particularly interesting to stratification scholars because it is so disproportionately concentrated. Wealth is vastly more concentrated than income (Morris and Western 1999, Kennickell 2004, Spilerman 2000). Throughout the twentieth century, close to 40% of all wealth was concentrated in the top 1% of the American population (Keister and Moller 2000). Research suggests that this concentration continued to grow in the 2000s. With the
financialization of the United States during the 1990s and early 2000s, the majority of wealth created in this decade emerged in the portfolios of the wealthiest subset of households (Palley 2007). To further illustrate the stratified nature of wealth, studies show that nearly 31% of all Americans had zero or negative net worth at the end of the twentieth century (Haveman and Wolff 2000). Moreover, it is well-documented that wealth is highly correlated with other aspects of stratification, especially race and ethnicity (Shapiro and Oliver 1996, Campbell and Kaufman 2006, Keister 2003, Krivo and Kaufman 2004, Spilerman 2000).

Consumer debt, on the other hand, is a financial resource increasingly available to most households. Yet we know little about debt’s ability to be used as a financial resource, despite increasing popularity. For instance, when calculating assets, wealth researchers simply subtract existing balances on consumer credit loans from other available assets. Much like we allow homes and cars to hold equity and add to a household’s total assets, I argue we should consider consumer debt as a valuable financial resource available to households. We overlook outstanding consumer credit as a meaningful resource in the household if we frame consumer debt as something used for frivolous purchases or something that only subtracts from households’ well-being. Consumer debt shares many advantages with cash-like assets. Like cash, consumer debt can be used at the borrower’s discretion for a range of purchases. Consumer debt often functions as a substitute for cash and is a commonly accepted form of payment for goods and services. It gives households an additional way of consuming goods and services they cannot afford with earnings alone. Therefore, we should conceptually treat consumer debt as any other financial resource.
Research highlights that many households are already using debt as a financial resource. As an example, Leicht and Fitzgerald (2006) show an eerily perfect correlation between the decline of wages in the 1990s and the increased availability and use of consumer credit among middle- and lower-class workers. Evidence that Americans have been lent what they should have been paid is present in research that examines macro-level wage and credit measures (Leicht and Fitzgerald 2006, Morgan and Christen 2002, Barba and Pivetti 2009). Findings also suggest that debt is strongly associated with a decline in disposable income (Cohen-Cole and Morse 2009, Pressman and Scott 2009). These findings show that, when households need to purchase goods, they are increasingly likely to turn to non-earnings means of purchasing them. Borrowing for necessity purchases like homes and vehicles increased during the 2000s (Dwyer 2007). According to economists, increases in necessity borrowing should result in declining spending on goods and services because disposable income declines as consumers borrow to finance goods they need. Research on these trend shows, however, that spending on goods and services has not declined (Bucks, Kennickell, and Moore 2004). Instead, spending on goods and services has increased (Johnson, Smeeding, and Torrey 2005), mainly because consumers are turning to consumer debt to fund these purchases (Christen and Morgan 2005).

Borrowing for education has also increased. Educational attainment, particularly the receipt of a college degree, is the highest correlate with social class mobility in the United States (Rytina 2000). Individuals are increasingly unable to finance education without using debt. The U.S. Department of Education shows that over 78% of students graduating with a four-year degree leave with at least some federal student loans (U.S.
Department of Education 2006). Many students also receive private and consumer loans to cover the cost of their educations (Manning 2001, Draut and Silva 2003). For young adults who wish to pursue a college education, their educations may be unattainable without debt, making debt an invaluable resource for young adults. I now turn to a discussion of extended adolescence, the phase in the life course that has recently emerged primarily because American youth are more frequently delaying family formation and entry into the labor force to pursue a college degree. I highlight extended adolescence as a period where parents can give their children an edge over their peers by allowing them to experience it.

2.2 Extended Adolescence and Inequality

Emerging adulthood (Arnett 2000) or delayed adolescence is a recent addition to the life course. A shift occurred in industrial societies where many individuals no longer pursue family and job stability after adolescence and instead pursue education. Key structural changes to the labor force and post secondary education drive the need to extend adolescence. Financial stability is becoming an elusive achievement for young adults, and the chance for financial success is now rarely awarded to people who do not earn education credentials and complete extensive training in postsecondary institutions (Furstenberg 2008, Arnett 2004, Cocoran and Matsudaira 2006). Many of the same factors driving extended adolescence—earnings inequality, labor market restructuring, an influx in higher education with stratified trends of graduation, increased immigration, and the reconceptualization of family and gender—are also influential trends in social mobility and related to social class reproduction (Corcoan and Matsudaira 2006).
A successful young adult in this millennium will delay serious partnering, parenting, and entry into careers in order to graduate college. This clear pathway for middle-class attainment, college—white-collar work—family, is becoming institutionalized, raising the stakes for extending adolescence. These patterns also make early adulthood an important time for parents to invest in their young adult children (Furstenberg 2008). Experiencing extended adolescence gives young adults from lower- and working-class backgrounds a chance for upward mobility. Extended adolescence is also a time where social class can be reproduced for young adults from middle- and upper class backgrounds (Hamilton and Hamilton 2008). The correlation between status attainment and extended adolescence is especially true for young adults who are able to earn education credentials during this time (Furstenberg 2006). Cost, however, stands as a real barrier to entry into college and to graduation (Manning 2000, Furstenberg 2008) and, therefore, delaying adulthood. The role of debt, then, cannot be overlooked as a means of providing young adults extended adolescence and the opportunity to graduate from college.

Young adults are aware of the financial costs associated with independence and often expect financial support from their parents—increasingly more than their parents are willing, or are arguably able, to provide (Goldscheider, Thorton, and Yang 2001). Parents are picking up the tab for a considerable amount of their young adult children’s costs of transitioning into adulthood (Furstenberg 2008). Still, cultural expectations for parents to help young adult children well into their twenties are growing (Goldscheider, Thorton, and Yang 2001) and parents report feeling burdened by this pressure (Berry 2008). Most of the burden parents assume for their young adult children is the costs of
attending college and living expenses while enrolled in postsecondary education. Many parents finance these costs to help their young adult children (Cha et al. 2005). The costs associated with extending adolescence are not institutionally supported, so it often falls to the parents or the young adults themselves. While the costs associated with parenting are increasing, wages are not increasing for most Americans (Neckerman and Torche 2007; Western and Pettit 1999). What financial gains American families have seen came in the form of consumer loans, mostly as credit card debt (Gutter, Copur, and Garrison 2009). This debt, I argue, allows parents the financial means to provide youth with the crucial experiences of extending adolescence, allowing them an opportunity to transition into adulthood with better chances for financial and family stability. Parents’ consumer debt is an overlooked form of financial transfer in wealth scholarship that helps parents fund an extended adolescence for their young adult children. In the next section, I discuss the literature on financial transfers to show that consumer debt, when used as a financial resource, is a mechanism of intergenerational mobility.

2.3 Direct Influences of Financial Resources

A considerable amount of previous wealth research focuses on financial transfers between parents and children when both parties are alive. This work highlights the importance of financial investment on stratification. While the majority of this scholarship examines later-life transfers, it is possible to extrapolate that financial investment during emerging adulthood should produce similarly positive outcomes for young adults, regardless of the means of payment. Because of changes in the labor market, the greatest odds a young adult has, then, at attaining a middle class status is by earning a Bachelor’s degree, finding entry level white-collar work upon completion of
college, and delaying family formation until these checkpoints are successfully completed. Research shows that financial investments significantly and positively influence young adults’ abilities to achieve these goals (Conley 2001, Steelman and Powell 1991, Semyonov and Lewis-Epstein 2001).

Even parents who make small contributions for day-to-day living costs “greatly shape the life outcomes” of their young adult children who receive the assistance (Aquilino 2005). Children who receive financial investments from their parents are more likely to have larger homes (Solon 1992, Zimerman 1992), have greater home equity (Spilerman 1999), and are more likely to be college educated (Holtz-Eakin and Smeeding 1994) than their peers who do not receive investment. Simply wanting to provide children with financial investment, of course, is insufficient for the young adults to actually receive an advantage; the material resources must be present for transfers to occur and for young adults to see the benefit of their parents’ consumer debt use over time. The majority of research examining the role of financial investment explores the impact of parental financial investment on young adult educational attainment. The cultural value of education in the United States is incredibly pervasive. Parents often cite wanting to finance their children’s college as their primary economic goal and are increasingly taking on debt themselves to fund their children’s postsecondary education (Cha et al. 2005). Research shows about three-fourths of families surveyed believe parents should support young adults’ educational pursuits as much as possible (Aquilino 2005) and 83% of young adults expect their parents to pay their entire living expenses while attending a postsecondary education (Goldscheider et al. 2001). In fact, paying for college and the
associated costs is children’s greatest financial expectation of their parents (Goldscheider et al. 2001).

When young adult children receive financial help from their parents, they do experience greater occupational and educational successes than peers that do not receive help (Semyonov and Lewis-Epstein 2001). Meening (2002) shows that if absent parents give as little as $2500 to young adult children, young adults see a 47% increased likelihood of attending college. This effect approaches 60% when looking at the impact of having financial investment from active parents and involved parents (Menning 2002). Menning (2002) finds that transfers as low as $250 significantly impacts the likelihood that young adults would attend college. In Conley’s (2001) work examining the role of parental resources on college attendance and graduation, he finds that doubling parental assets produces an 8.5% increase of a young adult child attending college; the likelihood that they graduate increases 5.6%. Parental wealth has an overall strong effect on postsecondary schooling and significantly predicts both enrolling in (Sandefur, Meier, and Campbell 2006) and completing college (Conley 2001).

Although education is a well studied status attainment, it is not the only outcome the wealth literature examines to explore the direct effects of material affluence on young adult status attainment. Parental financial support is often essential for semi-dependent youth to secure the accomplishments society expects from them (Hamilton and Hamilton 2004). Comparing earnings between parents and children, Swartz (2008) finds family resources while a child is growing up explains 47% of the observed variation of young adults’ incomes. Grusky and Hauser (2005) argue that financial investment by parents largely contributes to human capital created in young adult workers; this human capital
ultimately dictates young adults’ distribution into occupations and professions. Parental wealth also impacts the time young adults wait to own their own homes (Mayer and Englehard 1996), the living standards of young couples (Spilerman 2004) and entry into self-employment (Lindh and Ohlsson 1998). Additionally, children who have living parents with positive net worth are less likely to have employed spouses, are more likely to be self-employed, and are less likely to move into smaller homes when they retire (Spilerman 2000). Parental resources also facilitate wealth accumulation in their young adult children. A percentage of young adults receive a sizable financial gifts from parents or in-laws is when they purchase their first home (Kunemund, Motel-Klingebiel, and Kohli 2005). This is a direct transfer of material affluence because homes are the asset that accounts for the majority of wealth for most Americans with non-zero net worth (Shapiro and Oliver 1996). Children who receive a financial transfer when they buy their first home have higher equity in their homes than those who do not receive help from their parents (Semyonov and Lewis-Epstein 2001; Spilerman 1999; Kennedy and Stokes 1992).

Research on parental investment shows the majority of parents who financially invest in their young adult children mainly do so to help them achieve financial independence. From in-depth interviews with parents who gave young adult children financial assistance, Descartes (2006) finds that raising financially independent young adult children is very important to parents. The norms and obligations of independence play a significant role in the parent-child relationship and is often a struggle for both parties throughout the entire relationship. Parents want to provide for young adults to the point of independence, but not past it (Nye 1996). It often takes financial investment,
especially during emerging adulthood, for young adults to achieve important life course
transitions that facilitate financial independence (Plog et al. 2004, Aquilino 2005).
Financial investment in young adults facilitates status attainment. We should not expect
the means of paying for these investments will produce different outcomes for the
recipients.

When parents do make financial investments in young adults, they are much more
episodic than regular over time (Eggebeen and Hogan 1990). However, trends show that
parents give regular support to children throughout their 20s, with frequent investments
through age 25, but reduce support once children enter their 30s (Cooney and Uhlenberg
1992). Financial investments are also tied to life course events (Kunemund, Motel
Klingebiel and Kohli 2005), with parents being more likely to invest in their young adult
children during pivotal transitions for educational attainment, family formation, or home
ownership. Parents are also more likely to give when children demonstrate need. Wolfe,
Spilerman, and Attias-Donfut (2005) find 42.9% of transfers occur to help adult children
through a specific financial hardship. Other researchers find that parents report helping
children most when their children demonstrate need (Plog et al. 2004, Berry 2008,
Descartes 2006).

The majority of researchers examining wealth transfers focus on parental assets.
This leaves a gap in our understanding of young adults who receive investment in other
forms. Examining the role of parents’ debt over time allows us to investigate the impact
of a material resource more widely available to individuals across the social strata. The
advantages of debt as a financial resource are often overlooked because of a tendency in
the literature to view using consumer debt as a uniformly negative financial behavior
Debt is an important financial resource available to households. Consumer debt has many of the same benefits as cash assets. Consumer loans give borrowers complete freedom for spending, much like cash. Consumer loans are widely accepted as payments and are generally seen as an equivalent substitute to cash. And, like wealth, consumer loans allow households to make purchasing decisions based on current and future earnings (Tippett 2010). Availability to the poor, working-, and middle-class is the central advantage of consumer debt to wealth as a form of investment. According to Spilerman (2000), a promising way to understand social class inequalities would be to equalize assets and then explore how asset equalization changes inequality. While he speculated this possibility as a theoretical exercise, researching consumer debt gives us the empirical opportunity to investigate what happens to stratification when a valuable resource becomes more equally distributed. Consumer debt is more evenly distributed by social class than earnings. Also, while the amount of available credit granted to households by banks is stratified, it is nowhere near as stratified as the asset distribution. Consumer debt is not an equally beneficial resource as cash mainly because charged purchases accumulate interest if not repaid. Also, debt is not an equal substitute for cash because, as a form of dissavings, it can impact individuals’ ability to save or make purchases in later life (Bryant 1990, Baek and Hong 2004). All these negative aspects of using consumer debt to invest in young adults, however, fall on the parents. Financial investment made with consumer credit loans should be equally beneficial to the young adult children as investments made in them paid for in cash.
2.4 Indirect Influences of Financial Resources

Direct financial transfer is not the sole way parents’ resources influence their children or influence their children’s status attainment. One way parents’ debt influences their children indirectly is through financial socialization. Credit use is so normalized in our society that many view educational loans, home mortgages, and consumer loans as necessities of financial life (Starr 2008). This norm is further reinforced by parents who substitute consumer debt for earned income to invest in their children. Parents’ financial resources influence their young adult children indirectly by creating lifestyle norms that emerge over young adults’ lives. Young adults become accustomed to specific lifestyles their parents provide for them and young adults may be unable to distinguish between a lifestyle financed with earnings and a lifestyle financed with consumer credit. Youth may also seek out and use consumer credit in order to maintain their desired lifestyle because their own depressed earnings during emerging adulthood make many goods and services otherwise inaccessible (Bernthal, Crockett, and Rose 2005). While creating lifestyle norms certainly influences young adults, I argue that parental financial behaviors are primarily important because they socialize young adults to parents’ financial beliefs and behaviors which, in turn, influence young adults’ financial decisions.

Charles and Hurst (2003) find that parents and children have a similar tolerance for risk. Risk tolerance, they argue, is transmitted between parents and children through financial socialization. Parents influence their children’s knowledge about money and shape young adults’ spending and savings patterns. 87% of college students and 99% of high school students rely on their parents for financial advice (Gutter, Copur, and Garrison 2009). Young adults partially learn how to address finances and become
financially independent as a central part of young adulthood (Edwards, Allen and Hayhoe 2007). Discussions with parents about finances generally have a positive impact on young adult financial behaviors. Students who report greater frequencies of discussion with their parents about finances are also more likely to budget, check their credit report, and save (Gutter, Copur, and Garrison 2009). It appears that when parents talk to their children about money, it can influence their children’s financial behavior. While relying on parents for financial information may help young adults, it can also compete with messages young adults receive about finances and consumption from other significant influences contributing to their financial socialization (Shim, Xiao, Barber, and Lyons 2009), resulting in mixed financial messages for young adults. College students may even avoid talking about finances with their parents because they find less pleasure from talking with their parents about money and are more likely to obsess about money if they discuss finances with their parents as opposed to with their peers (Edwards, Allen, and Hayhoe 2007). Overall, the relationship between parents’ financial beliefs and behaviors and the financial behaviors of their young adult children are convoluted. That should not, however, cause us to assume there is no influence. The influence is more likely to be indirect, but I still expect observable similarities between the financial behaviors of parents and their young adult children. I expect these similarities to manifest in debt behaviors because parents’ debt behaviors are visible to their young adult children.

### 2.5 Conceptual Model of Parents’ Debt and Young Adults’ Status Attainment

In this chapter, I demonstrate a need for research examining the impact of debt on stratification and status attainment. The influence of debt should increase as rising consumer indebtedness penetrates the economic experiences of American households. In
this dissertation, I also address the gap in knowledge regarding parents’ consumer debt histories over time and the attainment outcomes of their young adult children. I show the expected relationship between parents’ resources and young adult attainment in Figure 2.1. I believe that parents influence the status attainment of their children with three separate resources: cultural capital, social capital, and financial capital. I believe that each form of capital materializes in young adults, influencing both their beliefs and behaviors. From there, I expect young adults’ behaviors directly influence their status attainment while young adults’ beliefs indirectly affect status attainment. In my dissertation, I only explore one part of this larger pattern. I examine parents’ consumer debt, as a form of financial capital, to explore how debt directly and indirectly affects status attainment in young adults. I show my expectations for this relationship in Figure 2.2. As this figure illustrates, parents’ debt directly influences young adults by providing them with financial support during young adulthood. This investment often allows young adults to pursue a college education. Parents’ debt also indirectly influences young adults by shaping their consumer beliefs and behaviors, which directly influences young adults’ financial attainment in early adulthood.

Some central data design elements shape the way in which I test my conceptual argument. First, the greatest strength of my data is the longitudinal design that links mothers in the NLSY79 to their children in the NLSY-YA. This design allows me to create parental debt groups based on 30-year debt histories. In this dissertation, when I discuss parents’ debt, I am referring, then, to a measure that captures whether or not the households have consumer debt, how long they have carried it, and how it has fluctuated over this period. I describe this methodology and measures in much greater length in
Chapter 3. Second, my data only allow me to follow the relationship of parents’ consumer debt and young adults’ status attainment into early adulthood. However, as I speculate in the conclusion of my dissertation, the direct and indirect influences of parents’ debt can be life-long, especially if these influences encourage young adults to carry large amounts of debt throughout the life course. Finally, due to data design, parents’ consumer debt when parents I must define “parents” as mother and mother’s current partner. All debt measures, then, refer to the sum consumer debt of the mother and her cohabiting or marriage partner, if any, at the time of interview. I now move to a very brief discussion of the hypotheses I test in my empirical chapters.

2.6 Expectations for Financial Transfers to Young Adult Children by Parents’ Debt Histories

I expect parents to make the greatest contribution to their children when they use the most financial resources available to them. I argue that parents’ history of consumer credit use will benefit their young adult children, net of other influences, because using this additional financial resource allows parents to invest more in their young adult children than parents who do not use consumer credit. In particular, I expect that young adults whose parents have a history of carrying low consumer debt balances will receive less financial investments from their parents than their peers whose parents carry consumer debt throughout adulthood but repay it by mid-life. I expect that parents who carry high consumer debt over the life course, then, will be more likely than parents who repay their debt as adults to financially invest in their young adult children. Parents perceive adolescence as a time of need (Berry 2008), and this perception of need intensifies as pursuing a college education becomes increasingly important for young
adults to have a chance at attaining a middle class status (Goldscheider, Thorton, and Yang 2001). I expect parents’ consumer debt use to influence their likelihood of investing in their young adult children across multiple dimensions. In Chapter 4, I analyze how parents’ consumer credit histories impact three forms of parental investment: living at home, having parents pay general expenses, and having parents contribute to educational expenses. I approach my analyses with the following hypotheses:

**Hypothesis 4.1:** Young adults with low debt parents will be less likely to live at home during young adulthood than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.2:** Young adults with high debt parents will be more likely to live at home during young adulthood than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.3:** Young adults with parents who carry low consumer debt throughout their adult lives will be less likely to have parents who pay more than half of their general expenses than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.4:** Young adults with parents who carry high consumer debt throughout their adult lives will be more likely to have parents who pay more than half of their general expenses than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.5:** Young adults with parents who carry low consumer debt throughout their adult lives will be less likely to have parents who contribute to their education expenses than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.6:** Young adults with parents who carry high consumer debt throughout their adult lives will be more likely to have parents who contribute to their education expenses than young adults whose parents have falling debt at mid-life.

I test each of these hypotheses and detail my results of these analyses in Chapter 4.
2.7 Expectations for Parents’ Debt Use Influencing Educational Attainment in Young Adults

I expect most parents invest in their children during young adulthood to allow them to pursue a college education. More young adults are attending college as a college degree has become a necessity for a middle-class life. College attendance is a predominant force in extending adolescence (Furstenberg 2006). The majority of parents believe it is their responsibility to pay for their children’s college educations (Aquilino 2005) and young adults cite paying for college as their largest financial expectation of their parents (Goldscheider et al. 2001). Most families understand young adults’ advantage from their parents financially contributing to their educational pursuits. The largest barrier to attend college for young adults is the cost. The rising cost of college tuition means that enrollment is increasingly unavailable to young adults without significant resources; resources also, then, prevent some young adults from earning a Bachelor’s degree. Therefore, I expect that parents who carry less consumer debt as adults will be less likely to help their young adult children pay for college. As a result, young adults whose parents have a history of low consumer debt will be less likely to enroll in college and less likely to graduate with a Bachelor’s degree than their peers whose parents carry consumer debt throughout adulthood. Similarly, young adults whose parents carry more consumer debt over time will be more likely to help their young adult children finance their education than young adults whose parents use resources to repay consumer debt prior to mid-life. I draw the following hypotheses from these expectations:

**Hypothesis 5.1:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to attend college than young adults whose parents have falling debt at mid-life.
Hypothesis 5.2: Young adults with parents who carry high levels of consumer debt over their lives will be more likely to attend college than young adults whose parents have falling debt at mid-life.

Hypothesis 5.3: Young adults with parents who carry low levels of consumer debt over their lives will be less likely to graduate from college than young adults whose parents have falling debt at mid-life.

Hypothesis 5.4: Young adults with parents who carry high levels of consumer debt over their lives will be more likely to graduate from college than young adults whose parents have falling debt at mid-life.

While I expect that young adults receive advantages from their parents’ debt histories that influence whether or not they enroll in or graduate from college, I also expect their parents’ debt to influence whether or not they rely on federal financial aid to pay tuition and related education expenses. Young adults, I argue, are influenced by their parents’ similar debt behaviors and, partially through financial socialization and their financial realities, are subject to similar experiences with debt as their parents. Therefore, I also expect:

Hypothesis 5.5: Young adults with parents who carry low levels of consumer debt over their lives will be less likely to take federal student loans to pay for college than young adults whose parents have falling debt at mid-life.

Hypothesis 5.6: Young adults with parents who carry high levels of consumer debt over their lives will be more likely to take federal student loans to pay for college than young adults whose parents have falling debt at mid-life.

Hypothesis 5.7: Young adults with parents who carry low levels of consumer debt over their lives will take less federal student loans to pay for college than young adults whose parents have falling debt at mid-life.

Hypothesis 5.8: Young adults with parents who carry high levels of consumer debt over their lives will take more federal student loans to pay for college than young adults whose parents have falling debt at mid-life.
I test each of these hypotheses and report my results from this analysis in Chapter 5.

2.8 Expectations for Young Adults’ Debt Use, Debt Histories, and Financial Health by Parents’ Debt Use

Young adults can be aware of their parents’ consumer credit use simply because it is visible. Using a credit card, in particular, is a transparent act and young adults may observe whether or not parents pay with credit cards every time they observe their parents in a financial transaction. Moreover, many parents believe it is their responsibility to educate their children about consumer credit use (Shim et al. 2009). Parents are likely, then, to indirectly and directly financially socialize their children and influence their children’s opinions about credit use. Therefore, I expect:

**Hypothesis 6.1:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to carry consumer debt balances from month to month than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.2:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to carry consumer debt balances from month to month than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.3:** Young adults with parents who carry low levels of consumer debt over their lives will have lower outstanding consumer debt balances than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.4:** Young adults with parents who carry high levels of consumer debt over their lives will have higher outstanding consumer debt balances than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.5:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to fall into high consumer debt trajectory categories than young adults whose parents have falling debt at mid-life.
**Hypothesis 6.6:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to fall into high consumer debt trajectory categories than young adults whose parents have falling debt at mid-life.

While I expect young adults’ consumer credit use to at least partially mirror the consumer credit use of their parents, I do not anticipate that young adults will necessarily experience financial hardships based solely on their indebtedness. Instead, I expect that their parents’ credit history will influence the likelihood they experience financial hardships. Parents are most likely to provide financial support for their young adult children to help them through economic difficulties (Berry 2008). I believe parents will use consumer debt as a financial resource to invest in their young adult children, helping them avoid financial hardship. The following hypotheses reflect these expectations:

**Hypothesis 6.7:** Young adults with parents who carry low levels of consumer debt over their lives will be more likely to experience financial hardships than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.6:** Young adults with parents who carry high levels of consumer debt over their lives will be less likely to experience financial hardships than young adults whose parents have falling debt at mid-life.

I test these hypotheses and present my findings from these analyses in Chapter 6.

In the next chapter, I describe the data I use to test my hypotheses. Then, three analytic chapters follow my methodological chapter, each evaluating how parents’ debt influences their young adult children in different ways. I explore how parents’ debt histories influences the financial investments their young adult children receive in Chapter 4. In Chapter 5, I examine the relationship between parents’ debt over the life course and the educational attainment of their young adult children. Lastly, in Chapter 6, I describe my analyses examining the relationship between parents’ consumer debt
history and the consumer debt habits and histories of their young adult children. I also briefly explore if parents’ consumer debt use over the life course influences the financial health of their young adult children.
**Figure 2.1.** Conceptual Model of Parents’ Influence on Children’s’ Status Attainment.
Figure 2.2. Conceptual Model of Parents’ Indebtedness on Young Adult Children’s Status Attainment.
CHAPTER 3
DATA, METHODS, AND ANALYTIC STRATEGY

In this chapter, I will discuss how I investigate the questions established in the previous chapter. I first describe the data I use in my analysis. Next, I discuss how I create the measures I use in my study and detail how I operationalize the necessary concepts to evaluate the relationship of parental debt with youth outcomes. I then discuss the analytic strategies I use in my analysis of the data and the analytic corrections I use to achieve accurate results. I conclude this section by detailing limitations in my study created by sample design.

3.1 Data

To assess the role that parental experiences of indebtedness plays on outcomes for their young adult children, I use data from the National Longitudinal Study of Youth, Young Adult Sample (hereafter NLSY-YA). In order to evaluate my research question, I require data that follows a longitudinal design, asks questions of both parents and their young adult children, and asks a variety of questions on household finances—specifically
regarding the presence of consumer loans and the existing balances on those loans. The
NLSY-YA is the only data set that met all my needs for this dissertation.

The NLSY-YA is a data set comprised of the children birthed to mothers in the
original 1979 National Longitudinal Survey (hereafter NLSY79) sample. The Bureau of
Labor Statistics kept birth records of all respondents of the 1979 sample, but only the
children of the females in the original survey are included in the Child and Young Adult
sample. These offspring are included in the Child sample from birth until age 15. The
Child questionnaire is completed entirely by or with the assistance of the respondent’s
mother. This data collects information about the child’s learning and development,
health, and childhood experiences. After turning 15 years old, respondents are given the
Young Adult questionnaire. The Young Adult questionnaire is very similar to the surveys
their mothers complete as participants in the NLSY79. The aim of this data is to easily
connect mothers to their children. The similarity of questions between the NLSY79 and
NLSY-YA helps researchers interested in intergenerational mobility investigate similar
outcomes between mothers and their children.

I use data from the Young Adult sample because I am expressly interested in how
parental debt influences their children as they transition into adulthood. The Young Adult
sample is well-suited for intergenerational comparison and asks questions pertinent to my
research questions. Mirroring the NLSY79, the NLSY-YA primarily collects data on
young adults’ work experiences and labor force participation, but it also includes
incredibly rich data on their personal finances, educational experiences, debt histories,
and family formation. The NLSY-YA allows me to examine how parental indebtedness
impacts various aspects of status attainment and the transition to adulthood.
In my dissertation, I use longitudinal data from the NLSY-YA to examine the experiences of 4,817 young adults. I connect these young adults to their mothers by linking the data from the 1993-2007 waves of the NLSY-YA to data from their mothers in the 1979-2007 waves of the NLSY79. I limit my sample to respondents who were at risk of being financially independent in 2007, which I define as being old enough to legally enter into financial contracts without a parental co-signer. I limit my analysis to respondents who were 18 years or older (814 cases are excluded for not meeting this requirement), were not enrolled in high school (52 cases are excluded for not meeting this requirement), or were not interviewed in 2007 (161 cases were excluded for not meeting this requirement). I exclude a total of 1,027 cases for failing to meet at least one of these criteria from my sample. I next describe the dependent variables I use in my research. I construct several measures intended to operationalize parental investment, status attainment, and the transmission of financial behaviors between young adults and their parents.

The NLSY-YA, because it collects data on all young adults’ born to mothers in the 1979 sample is not comprised of a single cohort. A unique characteristic to note that results from this sampling technique is that the oldest young adults in my sample are born to the youngest mothers in the NLSY79. Additionally, a large number of respondents are between the ages of 22-27 because the years these young adults were born was when the majority of mothers in the NLSY79 were in the normal childbearing age range. Finally, because many of my measures look at ever experiencing an event, not all respondents are equally at risk of the outcomes, especially when the variables are correlated with age, like college enrollment or college graduation. I use sample weights designed by the Center for
Human Resource Research (CHRR), the organization responsible for the maintenance and distribution of the National Longitudinal Surveys, to adjust for the non-random sampling techniques. All descriptive or multivariate statistics I report are weighted.

3.2 Measures

Table 3.1 defines how each variable I use in this study is operationalized and provides the mean and standard deviation of each variable. I use multiple dependent variables to operationalize each concept I am evaluating. I next discuss each concept I test in the study and discuss the dependent variables I use in my dissertation research, starting with parental investment.

3.3 Parental Investment

In Chapter 4 of my dissertation, I investigate the impact of parents’ debt on their likelihood to financially invest in their young adult children. In this dissertation, I am particularly interested in evaluating parents’ consumer debt as a form of financial transfer because it is a financial resource that is accessible to a large amount of parents. I argue that parents treat debt as a financial resource which they use to invest in their young adult children. I examine whether or not young adults live at home with their parents, whether or not the young adults receive financial support from their parents, and whether or not young adults receive contributions from their parents to help pay for their education. I expect the ability to provide a child with each of these resources is stratified. Drawing from Berry (2006) and Aquilino (2005), however, I expect co-residence and help with expenses to be the most common form of parental investment in adult children.

My first measure of parental investment is whether or not young adults were living rent-free with their biological mother at the time of survey in 2007. I define “living
at home” by either co-residing with both biological parents, with the biological mother alone, or with the biological mother and a current spouse or partner who is not the young adult’s biological father. A very small number of respondents (under 2%) were excluded from this analysis because they lived with their biological father. A few (<1%) respondents were also excluded who lived with non-parent adults. These individuals are excluded because I do not have access to their father’s or guardian’s debt histories unless they are living with the respondent’s biological mother, given the design of the data. I define respondents as living “rent-free” because they do not report a monthly rent, nor did they indicate a personal residence. Some respondents not paying a monthly rent to their parents for housing may make financial contributions to the household. I code these individuals as living at home so long as they do not report another residence. I assume making contributions gives the respondent more financial flexibility than the monthly rental requirements associated with a lease or a mortgage. Therefore, I expect these individuals to receive more similar benefits to their peers living completely rent-free with parents than peers living with a monthly mortgage or lease payment. A notable number of respondents in my sample (21.4%) are currently enrolled in college, I include multiple checks to ensure respondents were not living on campus. If a respondent reports living both on campus and at home, I assume they were only living at home when not enrolled in school, and did not code them as living at home.

My second measure of financial investment is whether or not the young adults’ parents report paying more than half of the young adults’ general expenses in the last

---

1 Due to survey design, throughout this dissertation “family” will refer to the young adult’s biological mother and her current partner.
survey year. Respondents’ mothers were asked how much of their young adult child’s general expenses they paid in the previous year. I create a dichotomous measure from this question and respondents are coded positively if their parents report paying 50% or more of the young adult’s expenses in 2007. It is possible that this measure over or underestimates the young adult’s financial obligations, because this is a question asked only of the respondent’s mother, who may or may not have a completely accurate view of their children’s finances. Mothers may also be unaware of fathers’ contributions to the child, especially if they are not currently partnered with the young adult’s father. I therefore select a high threshold of co-payment, half or more, to accommodate for this limitation. Even if these young adults are not receiving parental support for more than half of their expenses, it is safe to assume that the parents are still making a large and significant financial contribution to these young adults each year. Ultimately, however, this is a conservative measure in that it does not count young adults that receive sporadic or need-based financial support from their parents, which accounts for the majority of financial transfers from living parents to children (Berry 2008).

My final dependent measure of parental investment is whether or not parents contributed to young adults’ educational expenses in the previous year. I only consider this measure in analysis for young adults who had ever enrolled in college (N=2534). This measure is constructed from the mother’s response to a question on the percentage of educational expenses mothers paid for their young adult children in the previous year. I use a dichotomous measure to evaluate parental investment in educational pursuits. Respondents are only coded as receiving help when the parental contribution is not expected to be repaid. I ensure that monies reported as investments in young adults’
educations were not offered in the form of a loan. Existing research suggests that parents impact educational success in their children simply by contributing (Steelman and Powell 1991) which suggests a dichotomous measure is sufficient. Furthermore, educational expenses are much more variable than young adults’ living expenses and parents can make a large investment but still not pay the majority of educational costs incurred for a year of postsecondary education.

3.4 Educational Attainment

In Chapter 5, I examine how parents’ debt influences the status attainment of their young adult children. In 2007, the respondents in the NLSY-YA were relatively young, with a mean age of only 24.5 years. Increasing demands on youth during emerging adulthood and significant restructuring of the labor market make it less likely a young adult will have entered into an occupation by their early or mid-20s. I focus on educational attainment to evaluate status attainment of young adults for these reasons.

I first measure educational attainment using a dichotomous measure of whether or not the young adult has ever enrolled in college by 2007. Individuals who had enrolled are coded 1 and those who have not are coded 0. For young adults who have ever enrolled in a postsecondary institution, I also measure whether or not they have received a Bachelor’s degree. Respondent who received a BA are coded 1 and respondents who do not hold a BA are coded 0.

To examine how those who enrolled in college financed their education, I evaluate two measures of student debt. First, I look at whether or not the respondent received any federal student loans to finance their college education. Second, I evaluate the amount of federal student loans young adults report receiving while enrolled in
college. Due to the design of the NLSY-YA questionnaire, I only know the amount of loans the respondent took in the years they are interviewed and enrolled in college. Also, due to the young age of the respondents, many young adults have not yet enrolled or are still enrolled and at risk to amass more educational debt. For this reason, these are conservative measures of the education loans the young adults receive.

3.5 Financial Outcomes

My final argument, presented in Chapter 6, is that young adults’ financial behaviors and financial health are somewhat influenced by the financial behaviors of their parents. To test this assumption, I create three measures of consumer debt youth in young adults. I also create three measures of financial hardship and use those measures to understand the relationship between young adults’ parents’ debt experiences over their life course and the young adults’ financial health.

First, I construct two measures evaluating the overall amount of consumer debt young adults in the sample are currently managing: whether or not they are carrying consumer debt and their outstanding consumer debt in 2007 after the most recent payments on all their consumer loans were paid. I expect young adults’ consumer debt to be influenced by their parents’ consumer debt behaviors. To estimate this measure, I sum the amount young adults report owing on their credit cards, after the most recent payment was made, and the amount over $500 the respondent owed on other loans not issued to them by individuals.

Although I believe parental debt histories impact the overall amount of debt their children carry, I also expect young adults to be significantly influenced by parents’ behavior. Similarly, I expect that meaningful factors that determine an individual’s credit
worthiness and beliefs about credit use, like education, income, or race, is either influenced by or ascribed by one’s parents. I test whether young adults’ consumer credit use mirrors their parents’ debt experiences with their own experiences. I use Developmental Trajectory Analysis (DTA) to construct measures of respondents’ experiences carrying consumer debt from age 18, the point of possible financial independence, through early adulthood. I only group young adults who have a debt measure collected in three waves of data to create a robust prediction of trajectory grouping. I lose 473 respondents due to this specification and, therefore, have an N of 3714 in models that use young adults’ debt classification as a dependent variable. I use SAS Proc Traj software (Jones 2010) to group young adults into classes with shared debt experience. (I discuss this methodology in more detail in the next section). I collapse these classes, for analytic purposes, into three dichotomous independent variables indicating a history of relatively low debt, some debt, or high debt.

To measure financial health, I examine three single measures of financial hardship. First, I construct a dichotomous measure of whether or not the respondent puts off buying necessities. The respondent is coded 1 if they respond “frequently” or “all the time” to the question, “How often do you/does your household put off buying something you need—such as food, clothing, medical care, or housing—because you don’t have money?” Respondents who respond “never,” “rarely,” or “occasionally” are coded 0. Second, I create a dichotomous measure of whether or not the young adult respondent has difficulty paying bills. Respondents are coded 1 who report “quite a bit of difficulty” or a “great deal of difficulty” when asked, “During the past 12 months, how much difficulty did you/did your household have paying bills?” Young adults who report “no difficulty at
all,” “a little bit of difficulty,” or “some difficulty” are coded 0. As the third measure of financial hardship, I look at the respondent’s ability to make ends meet. I code respondents 1 for this measure if they report “not enough to make ends meet” when completing the following sentence, “Thinking about the end of each month over the past 12 months, did you/did your household generally end up with. . .” Respondents who reported having “more than enough money left over,” “some money left over,” or “just enough to make ends meet” are coded 0.

I now turn to a further discussion to the implementation of DTA in my dissertation project, as developmental trajectories are central to this project and a complex and recent methodological advance.

3.6 Developmental Trajectory Analysis

In this dissertation, I use DTA to construct my central independent variable, parents’ debt over time (detailed thoroughly in the following section) as well as dependent measures of young adults’ debt experiences and histories. My dissertation contributes to the wealth and debt literature by implementing trajectories to study financial experiences. Net worth and wealth are heralded as advancing stratification research because, unlike the snapshot measure of income, they offer more insight into the cumulative nature of stratification (Shapiro and Oliver 1995; Keister and Moller 2000). Wealth measures, while a meaningful advancement, are only seemingly cumulative. It is rare that one amasses millions in assets overnight. However, lottery winners do exist, and we must consider the likelihood that they, and other individual with unique situations, are selected as respondents in nationally representative data sets. Using DTA, we can be used to distinguish someone who is a longstanding wealth holder from someone who that
gained wealth relatively overnight and classify each of them accordingly. In this
dissertation, I assert that there are meaningful differences between how parents impact
their children’s attainment based on their histories of indebtedness. DTA allows me to
group parents according to three meaningful dimensions of indebtedness—how much
debt they have, how long they carry a particular balance, and how their debt levels
fluctuate by balance and over time. This dissertation is the first research to make this
distinction. Allowing components of social class—in this case consumer debt—to vary
over time is an important advancement in the measurement of social class. Many scholars
note the importance of allowing social class measures to be fluid (for instance, Lucas
2001 or Hout 1988); mobility research would be impossible without this possibility. DTA
is an additional means of allowing social components to shift that is particularly fitting to
use with financial measures.

Nagin (1999) was the first social scholar to use developmental trajectories as an
outcome measure of a social behavior to estimate how changing exposure to economic
disadvantage during childhood into adolescence impacts young children’s delinquency.
Sociological research traditionally uses many measures to evaluate a social outcome,
such as whether a respondent experiences an event or not, the duration of the experience,
or movement into or out of an experience. With the development of trajectory analysis to
investigate social outcomes, however, Nagin (1999) and other colleagues (Jones, Nagin,
and Roeder 2001) were able to conceptualize outcome variables in a way that
simultaneously captured whether or not a respondent experiences an event or not, the
duration of the event, and their movement into or out of an event. DTA, then, is a
procedure used to identify existing groups of individuals who have similar experiences
Trajectory software also graphs the experiences of these individuals to display a visual representation of the pathways of experience for these groups along the variable of interest. Trajectory analysis does not place any restrictions on the pathways the classifications can take unless the user specifies restrictions. It may also group one class of respondents based on not experiencing an event, group another based on similar spells of experiences, and other groups on entirely different commonalities.

Developmental trajectories are longitudinal latent class models and predicting them assumes that, within the population, there are various groups who experience similar events along shared pathways. To insure I was not violating this assumption, I conducted extensive reviews of individual respondent’s pathways. I also evaluated descriptive statistics and allowed this analysis to frame my expectations for the trajectory paths, as well as to check the face validity of the paths the program produced using graph output and test statistics. I relied on a Bayesian Information Criterion (BIC) and a sample-adjusted BIC to assign the best fit of group membership to the model, because proper specification of the number of groups is crucial for trajectory analysis. BICs are the primary statistical test sociologists using DTA examine to identify the number of groups in the sample while still classifying the most likely number of pathways for experiences (Nagin 1999; Jones, Nagin and Roeder 2001; Wagmiller et al. 2006). However, as Nagin (2005) notes, theoretical considerations must be the primary method of assessing the proper specification of groups in these analyses. I selected the lowest group number specification that yielded significant test BIC statistics and seemed reasonable for credit use. Trajectories, or groups, are predicted by comparing the
maximum-likelihood estimation of each observed pattern of outcomes to individual experiences in the data. Individuals are fit to each identified trajectory and then placed into groups according to highest maximum likelihood and statistical fit of membership. Maximum-likelihood estimates create model coefficients that are then plotted in SAS to show the trajectory shape.

Trajectory analysis can include risk factors. Known risk factors that influence a respondent’s placement into specific trajectories should be specified to identify groups properly. When using trajectory analysis to create variables, I relied on existing literature to identify potential risk factors. Then, prior to creating the trajectories, I conducted regression analysis to see the relationship and strength of relationship between suspected influencing factors and desired outcomes. When these regression tests showed a significant relationship at p<.001, I included these variables as risk factors when predicting the trajectory. I estimated all trajectories using the Proc Traj function in SAS Version 9.2 (Jones 2010).

3.7 Independent Variable: Parents’ Consumer Debt Histories

I examine parents’ consumer debt balances over time, roughly between ages 18 to 49, as my primary independent variable. I use consumer debt as opposed to other forms of debt or net worth for several reasons. First, consumer debt is a financial resource that can be used similar to cash. Consumer debt, mostly in the form of credit card loans, can be used at the borrower’s discretion and can be used to make financial investments in children. Second, I use consumer debt because the role of consumer debt as a form of investment is relatively absent in the literature. Instead, consumer debt is often discussed as a wasteful vehicle of status consumption (Schor 1999, 2004) or tool of the financial
sector to financially pillage individuals (Manning 2001, Ritzer 1996). Additionally, consumer debt was democratized in the early 1990s, making it available to people of various social classes, genders, and racial groups. Even prior to the democratization, it was available on a smaller scale to many, but not all consumers. Thus, unlike income or assets, which remain incredibly stratified, consumer debt is a liquid-like resource available to many households.

To construct these variables, I use DTA to group parents with similar histories of consumer indebtedness. For each young adult’s mother and the mother’s current partner\(^2\), I create a measure of the amount of outstanding consumer debt balances remaining after the most recent bill was paid that the household carries during each survey year after the young adult respondent was born. This sum measure includes the amount owed after the most recent payment was made on credit card loans and amount owed on all other non-personal loans issued to the mother or her current partner.

After creating a sum measure of outstanding consumer debt for each survey year, I then transform this data into a longitudinal measure of the amount of consumer debt the mothers’ household held by age and used the Trajectory Procedure in SAS (Jones 2001) to group the mothers according to similarities in debt histories and indebtedness. While trajectory analysis can predict trajectories with missing data, I limit the model to only estimating classifications for individuals who have data for three or more years where data was collected. Based on earlier tests reporting a significant relationship to the amount of consumer debt held, I introduce household income, mothers’ age at first birth, household members as biological mother and her current spouse or cohabiting partner.

\(^2\) Mother’s current partner can and does vary over time. At each data point, I define
and family size at the time each consumer debt measure was taken and the age the mother was when she had her first child as risk factors for debt classification.

The trajectory procedure identified seven classifications of parental debt experiences (The graph output is Figure 4.1 in Chapter 4): consistently low debtors (which represented the experience of 6.1% of the sample), parents who initially repaid some debt only to re-enter debt in later life (10.2%), parents with low and falling debt (6.7%), parents with high and falling debt (14.3%), parents who quickly got out of debt (6.4%), parents who experience rapid debt growth in later life (9.9%), and parents who consistently maintain large credit balances (46.4%). In my models, I collapse these groups into three dichotomous variables to make the analysis most straightforward. I collapse parents with consistently lower debt and those who repay their debt early into a single group of parents with low mid-life debt. I collapse parents who have low and falling debt and parents with high and falling debt into a single category of parents with falling mid-life debt. And, finally, I collapse parents who experience late debt growth, parents who re-enter indebtedness at midlife, and parents who consistently carry large debt balances into a single category of parents with high mid-life debt. To ensure that collapsing the initial trajectories is warranted, I conduct extensive tests to establish clear patterns among various outcome variables. Moreover, I conduct robustness tests in each analytic model to ensure that these individual groups follow the significance and direction of collapsed groups in predicting outcomes of interest. These tests support my decision to collapse parents into low-, falling-, and high-debt groups for analysis. Parents with falling debt at mid-life serve as the reference category for analysis as they follow the normative model of consumer spending (Friedman 1957; Modigliani 1986).
3.8 Parents’ Income

My final independent measure is parents’ income in 2007, the year my measures of parental investment are collected. I use a continuous measure of the mother and her current partner’s total household income in 2007. Parents’ income is a central independent variable because it strongly influences both parents’ ability to financially help their young adult children and their credit worthiness. I do not find a strong correlation between parents’ income and any parents’ debt grouping. However, to be cautious, I do test each model for multicollinearity.

3.9 Control Variables

I include a battery of background characteristics of young adults that are also likely to influence their status attainment outcomes, since outcomes in young adults cannot be predicted entirely by their parents’ financial situation. Specifically, I include a measure of the respondents’ age in years at the time of the most recent data collection. I also measure whether the respondent is in a cohabiting relationship, which I define as being married or sharing a single residence with a romantic partner. I include a continuous measure of the mean hours the respondent worked in the survey year. In all models examining parental investment and financial behavior in young adults, I include a measure of whether or not the respondent was enrolled in college. To account for diffusion of parental resources, I control for the number of siblings a respondent has. Finally, I include measures of the respondent’s biological sex and the respondent’s race, which I measure as Black, Hispanic, and non-Black, non-Hispanic. Females and non-Black non-Hispanics are the respective reference categories for analysis. Table 3.2, shows weighted means and standard deviations for each variable in my analyses.
3.10 Analytic Strategies

I use Tobit and Logistic regression techniques to investigate the relationship parental indebtedness has on their financial investment in and the subsequent status attainment of their young adult children. I provide fuller details of analytic strategies in Chapters 4-6 when discussing my findings. I present full models versus partial or stepwise regression analysis because I am interested in the effect of parents’ debt net of and not independent of individual level factors that influence mobility in young adults. I did, however, look at baseline models using only parents’ debt and then parents’ debt and young adult characteristics to predict my outcome variables. The patterns of significance and direction of effects were similar, supporting my choice to only present full models.

I begin each of my analytic chapters with a brief discussion of descriptive findings of the variables I use to test each component of my argument. I present the findings for each dependent variable separately in Chapters 4-6, because I use multiple dependent variables to analyze the relationships of parental indebtedness to each of my outcomes of interest. I then move to a discussion of how generalized findings from each variable explain the overall relationship between young adult outcomes and parental indebtedness. I conclude each analytic chapter with a brief discussion of the findings as they relate to intergenerational mobility and status attainment.

3.11 Methodological Limitations of the Study

Although the NLSY-YA is a fitting data set in terms of meeting my necessary requirements to answer my research questions, it does not mean that the NLSY-YA is without limitations. The NLSY-YA is first limited by the sampling design of the NLSY79. The NLSY79 sample includes an initial military over-sample that was dropped
from the main sample in 1984 and an initial economically disadvantaged white over-
sample that was dropped from the main sample in 1990. Being from a military family or
an economically disadvantaged white family does not necessarily shape young adults in a
predictable way; however, I choose to include customized weights in my analysis to
adjust for these over-sampling techniques. These customized weights I use are
constructed by the CHRR.

Readers should keep in mind that the young adults in this data are selected into
the sample according to their mothers’ inclusion in the NLSY79. There is sufficient data
on the mother’s partnering history to create a complex understanding of each young
adult’s family experience. However, the limitation remains that, because the mother is
represented in the NLSY79, there will be more available data on the young adults’
mothers than fathers or non-biological parents. Due to this limitation, anytime young
adults’ families are mentioned in this dissertation, I am referring to young adults’ mother
and current spouse or cohabiting partner who may or may not be the respondent’s
biological father. This is a particular limitation when speaking to the tradition of
mobility research to examine class status between fathers and sons.

Sampling by mothers introduces the significant possibility of clustering by family
in the sample. There are siblings who share a mother in my data. Clustering by mother
does not bias regression coefficients in Tobit or Logistic regression, but it could bias the
standard errors. To correct for this, I compare all Tobit and Logistic regression results to
analysis using the Cluster Procedure in SAS. The only difference I find is when
examining the likelihood of respondents living at home. In this analysis, I use standard
errors produced by the Cluster Procedure. In all other analyses, I do not report standard errors from clustered analysis because clustering is not shown to bias the estimates.

Another important limitation of the NLSY-YA pertinent for this study is potential bias introduced by the relationship between family formation and stratification. Because respondents in the NLSY-YA sample are the children of the NLSY79 mothers, the oldest respondents in my data are born to the youngest mothers. Children born to young mothers fair far less favorably in terms of status attainment outcomes, and this relationship is undeniably present in decades of family research (see, as an example Lichter 1997). These associations mean that, while some of my sample is arguably old enough to have graduated college and entered into careers if they follow traditional pathways, the oldest of these respondents are the statistically least likely to do so. I use analytic weights to adjust for this, but readers should understand this issue with sampling structure when interpreting the findings. I am confident that my findings can be interpreted, in the very least, as the meaningful experiences of a specific, large cohort of youth. In using sampling weights, I hope they can also be read as generalizable to most young adults.

The final methodological limitation in my dissertation is specific to my ability to test the influence of parents’ debt on young adults’ educational attainment. It is possible that parents’ debt behaviors are influenced by their young adult children’s education decisions. For instance, parents may choose to take on consumer debt if it is the only way to cover their child’s tuition or other expenses associated with attending college. I was very sensitive to this causality issue when conducting my analyses. First, my parental debt measures look at debt histories and not debt holding at any point in time. Using debt histories ensures that parents’ debt is measured far prior to their young adult children’s
higher education decisions. In most instances, the parents’ debt measures begin before the young adult is even born since the first debt measures are taken when the child’s mother is 18. Moreover, for all parents, at least 2/3 of the measures used to create their debt trajectory grouping were taken before the first young adult in the NLSY-YA sample enrolled in college. Second, I conducted a sensitivity analysis comparing the debt histories of mothers in the NLSY-79 whose young adult children attended college to the debt histories of mothers in the NLSY-79 whose young adult children did not attend college. I did not find the debt experiences of these two groups of mothers to be statistically different when examining their trajectory grouping or their consumer balances in 2007.

In the next chapter, I begin detailing the components of my analyses. I first turn to my analysis of young adults receiving financial investment from their parents and how their parents’ experiences with consumer debt influence these contributions.
### Variable Measure

#### Parents’ Finances

<table>
<thead>
<tr>
<th>Parents’ Debt</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Mid-Life Debt</td>
<td>Collapsed measure of parents’ debt history between 1979 and 2007. Parents are classified as Low Mid-Life Debt if Developmental Trajectory Analysis classified them as having consistently low debt or having early debt they repay early during this time period.</td>
</tr>
<tr>
<td>Falling Mid-Life Debt</td>
<td>Collapsed measure of parents’ debt history between 1979 and 2007. Parents are classified as Falling Mid-Life Debt if Developmental Trajectory Analysis classified them as having low early debt that decreases over time or high early debt that decreases over time during this time period.</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>Collapsed measure of parents’ debt history between 1979 and 2007. Parents are classified as High Mid-Life Debt if Developmental Trajectory Analysis classified them as having initially repaid some debt early only to amass high balances in their 30s, having initially repaid early debt only to amass high balances in their 40s, or having consistently high consumer debt balances during this time period.</td>
</tr>
</tbody>
</table>

#### Parents’ Income

| Biographical Mother and Current Partner’s Household Income in 2007 |

#### Parental Investment

| Lives at Home | Respondent lives at home if they report living with their biological mother during 2007; if respondents also report living alone or in a dormitory, barracks, or institution at any point during 2007 they are not coded as living at home. |
| Pays More than Half of Young Adults’ General Expenses | Respondents are coded ‘1’ on this measure if their mothers report paying more than half of their general expenses when asked about the financial support they give their children. |
| Contributes to College Expenses | If mothers of the respondents report any non-zero monetary contribution to her child’s education expenses in 2007, they are coded as getting contributions with college expenses. |

Table 3.1. Operationalization of Variables in Multivariate Analysis.
Table 3.1 continued

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Educational Attainment</strong></td>
<td></td>
</tr>
<tr>
<td>Ever Enrolled in College</td>
<td>Respondents are coded ‘1’ if they report ever enrolling in post-secondary education during or in any year prior to 2007.</td>
</tr>
<tr>
<td>Earned a Bachelor’s Degrees</td>
<td>Respondents are coded ‘1’ if they report graduating with a Bachelor’s degree during or in any year prior to 2007.</td>
</tr>
<tr>
<td>Has Education Loans</td>
<td>Respondents are coded ‘1’ if they report having ever taken federal education loans to finance their education during or in any year prior to 2007.</td>
</tr>
<tr>
<td>Amount of Education Loans Taken</td>
<td>This is a sum measure of all federal student loans the respondent reports taking while enrolled in college. Respondents are not asked the question for each year they are enrolled – only years data is collected.</td>
</tr>
<tr>
<td><strong>Young Adults’” Finances</strong></td>
<td></td>
</tr>
<tr>
<td>Has Credit Card Debt</td>
<td>Respondents are coded ‘1’ if they report having an outstanding balance on any consumer loans after the most recent payment was made.</td>
</tr>
<tr>
<td>Amount of Outstanding Credit Card Debt</td>
<td>This is a continuous measure of outstanding consumer balances the respondent reports owing after their most recent payment was made.</td>
</tr>
<tr>
<td><strong>Credit History</strong></td>
<td></td>
</tr>
<tr>
<td>Low Consumer Debt</td>
<td>Respondents are coded ‘1’ if they were grouped by DTA with respondents who have low debt throughout their early adulthood.</td>
</tr>
<tr>
<td>Some Consumer Debt</td>
<td>Respondents are coded ‘1’ if they were grouped by DTA with respondents who have moderate debt throughout their early adulthood.</td>
</tr>
<tr>
<td>High Consumer Debt</td>
<td>Respondents are coded ‘1’ if they were grouped by DTA with respondents who have moderate debt throughout their early adulthood.</td>
</tr>
<tr>
<td><strong>Financial Hardship</strong></td>
<td></td>
</tr>
<tr>
<td>Puts of Buying Necessities</td>
<td>Respondents are coded ‘1’ who report putting off buying something they or their household needed “frequently” or “all the time” during 2007.</td>
</tr>
<tr>
<td>Variable</td>
<td>Measure</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Has a Hard Time Paying Bills</td>
<td>Respondents are coded ‘1’ who report having “quite a bit” or a “great deal of” difficulty paying their bills during 2007.</td>
</tr>
<tr>
<td>Cannot Make Ends Meet</td>
<td>Respondents are coded ‘1’ who report “not having enough to make ends meet” over the past 12 months.</td>
</tr>
</tbody>
</table>

**Control Variables**

**Race**
- Non-Black, Non-Hispanic: Respondents are coded ‘1’ if their self-reported race is not Black or Hispanic.
- Black or African American: Respondents are coded ‘1’ if their self-reported race is Black.
- Latino or Hispanic: Respondents are coded ‘1’ if their self-reported race is Hispanic.

**Sex**
- Male: Respondents are coded ‘1’ if their self-reported sex is male.
- Female: Respondents are coded ‘1’ if their self-reported sex is female.

**Number of Siblings**
This is a sum measure of all reported siblings that share a biological mother with the respondent.

**Age**
This is a continuous measure of the respondent’s age in years.

**In a Cohabiting Relationship**
Respondents are coded ‘1’ if they report being married or report being in a cohabiting relationship with a romantic partner with whom they share a single residence.

**Hours Worked**
This is a continuous measure of the respondent’s mean hours worked in all weeks during 2007.

Table 3.1 continued

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a Hard Time Paying Bills</td>
<td>Respondents are coded ‘1’ who report having “quite a bit” or a “great deal of” difficulty paying their bills during 2007.</td>
</tr>
<tr>
<td>Cannot Make Ends Meet</td>
<td>Respondents are coded ‘1’ who report “not having enough to make ends meet” over the past 12 months.</td>
</tr>
</tbody>
</table>

**Control Variables**

**Race**
- Non-Black, Non-Hispanic: Respondents are coded ‘1’ if their self-reported race is not Black or Hispanic.
- Black or African American: Respondents are coded ‘1’ if their self-reported race is Black.
- Latino or Hispanic: Respondents are coded ‘1’ if their self-reported race is Hispanic.

**Sex**
- Male: Respondents are coded ‘1’ if their self-reported sex is male.
- Female: Respondents are coded ‘1’ if their self-reported sex is female.

**Number of Siblings**
This is a sum measure of all reported siblings that share a biological mother with the respondent.

**Age**
This is a continuous measure of the respondent’s age in years.

**In a Cohabiting Relationship**
Respondents are coded ‘1’ if they report being married or report being in a cohabiting relationship with a romantic partner with whom they share a single residence.

**Hours Worked**
This is a continuous measure of the respondent’s mean hours worked in all weeks during 2007.

Table 3.1. Operationalization of Variables in Multivariate Analysis.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parents’ Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>12.5%</td>
<td>0.335</td>
</tr>
<tr>
<td>Falling Mid-Life Debt</td>
<td>21.0%</td>
<td>0.451</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>66.5%</td>
<td>0.391</td>
</tr>
<tr>
<td>Parents’ Income</td>
<td>$52174</td>
<td>77401.14</td>
</tr>
<tr>
<td><strong>Parental Investment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lives at Home</td>
<td>18.8%</td>
<td>0.492</td>
</tr>
<tr>
<td>Pays More than Half of Young Adults’ General Expenses</td>
<td>25.2%</td>
<td>0.434</td>
</tr>
<tr>
<td>Contributes to College Expenses (enrolled only)</td>
<td>45.1%</td>
<td>0.498</td>
</tr>
<tr>
<td><strong>Educational Attainment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever Enrolled in College</td>
<td>52.6%</td>
<td>0.496</td>
</tr>
<tr>
<td>Earned a Bachelor’s Degrees (enrolled only)</td>
<td>12.7%</td>
<td>0.205</td>
</tr>
<tr>
<td>Has Education Loans (enrolled only)</td>
<td>52.2%</td>
<td>0.428</td>
</tr>
<tr>
<td>Amount of Education Loans Taken (enrolled only)</td>
<td>$7682</td>
<td>8969.98</td>
</tr>
<tr>
<td><strong>Young Adults’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has Credit Card Debt</td>
<td>35.2%</td>
<td>0.441</td>
</tr>
<tr>
<td>Amount of Outstanding Credit Card Debt</td>
<td>$618</td>
<td>3330.79</td>
</tr>
<tr>
<td><strong>Credit History</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Consumer Debt</td>
<td>42.4%</td>
<td>0.426</td>
</tr>
<tr>
<td>Some Consumer Debt</td>
<td>41.6%</td>
<td>0.423</td>
</tr>
<tr>
<td>High Consumer Debt</td>
<td>16.0%</td>
<td>0.235</td>
</tr>
<tr>
<td><strong>Financial Hardship</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Puts off Buying Necessities</td>
<td>21.3%</td>
<td>0.500</td>
</tr>
<tr>
<td>Has a Hard Time Paying Bills</td>
<td>52.6%</td>
<td>0.429</td>
</tr>
<tr>
<td>Cannot Make Ends Meet</td>
<td>5.9%</td>
<td>0.242</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Black, Non-Hispanic</td>
<td>70.6%</td>
<td>0.471</td>
</tr>
<tr>
<td>Black or African American</td>
<td>16.9%</td>
<td>0.486</td>
</tr>
<tr>
<td>Latino or Hispanic</td>
<td>12.5%</td>
<td>0.417</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>50.7%</td>
<td>0.500</td>
</tr>
<tr>
<td>Female</td>
<td>49.3%</td>
<td>0.500</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>1.2</td>
<td>1.304</td>
</tr>
<tr>
<td>Age</td>
<td>24.5</td>
<td>4.094</td>
</tr>
<tr>
<td>In a Cohabitting Relationship</td>
<td>16.3%</td>
<td>0.369</td>
</tr>
<tr>
<td>Hours Worked</td>
<td>25.8</td>
<td>13.145</td>
</tr>
</tbody>
</table>

| N                                           | 4187  |

Table 3.2. Weighted Means and Standard Deviations of Variables in Multivariate Analysis.
CHAPTER 4
PARENTS’ DEBT AND FINANCIAL TRANSFERS TO THEIR YOUNG ADULT CHILDREN

In this first analytic chapter of my dissertation, I address the following research question: Do parents with different debt histories provide different levels of financial assistance to their young adult children? It is reasonable to assume that parents invest more in their young adult children when a smaller amount of their financial resources are devoted each month to the repayment of consumer loans. However, drawing from my conceptual argument, presented in Chapter 2, I argue that households will treat debt as a financial resource they can use to invest into their children. For parents with low debt, I expect less parental investment in their children. These households are not using all available financial resources available to them, which suggests they will have less resources to devote to their young adult children. I expect that high debt parents will be more likely to financially invest in their young adult children. I argue that individuals use consumer debt similar to other financial resources. Therefore, when it is present in households we will see more investment in young adults—similar to the transfer of financial assets where wealth is present (Morgan and Scott 2007). Parents feel compelled
to help their children financially (Descartes 2006) especially in times of high perceived
need (Berry 2008). Many parents view early adulthood as a time of high need, especially
for youth who are not in financially supporting, stable employment or who are working
towards a college degree (Goldscheider, Thornton, and Yang 2001).

In this chapter, I examine three ways parents invest in their young adult children. I
use three dependent measures because I want to explore numerous forms of investment
since all forms of investments are not available to parents equally. I first analyze allowing
young adults to live rent-free in the parents’ home. Second, I examine the likelihood that
parents pay more than half of their young adults’ living expenses. Last, I explore the
likelihood that parents contribute to their young adult children’s education expenses, for
young adults who are enrolled in college.

To reiterate my expectations I detailed in Chapter 2, I expect that in all instances
of financial investment, parents with low debt histories are less likely than parents with
falling debt histories to provide financial investments to their children. Conversely, I
expect that young adults with high debt parents will be more likely than young adults
with falling debt parents to live at home, have their parents help them with general
expenses, or have their parents contribute to the cost of education if they enroll in
college.

Next, I begin the presentation of my findings for these analyses. First, I provide
descriptive statistics to illustrate what types of parents fall into the various debt groupings
I identify using Developmental Trajectory Analysis (DTA). Then, I move to a descriptive
account of the young adult children and show how the financial investments they receive
from their parents vary based on their parents’ debt experiences. I follow this with
presentation of my multivariate analyses where I respectively discuss findings regarding
the likelihood of living at home, the likelihood of receiving considerable help with
general expenses, and the likelihood of receiving help with educational expenses. I
conclude this chapter with a brief discussion of my results.

4.1 Descriptive Findings: Parents’ Debt Histories

As detailed in Chapter 3, I collapse the young adults’ parents into groups with
similar debt experiences using DTA. Below, I describe the debt experiences of the young
adults’ parents according to these groupings. It is important to first understand what the
debt experiences these young adults were exposed to growing up in order to fully
appreciate how this impacts them.

Using DTA, I found seven distinct groups of parental debt histories. Figure 4.1
shows the SAS output graph of these debt trajectories with each group labeled with their
group number. The solid numbered line is the expected outstanding log balance of
consumer debt by age. There are seven statistically distinct experiences in terms of how
parents carry and manage debt across the wide range of respondents in the NLSY79.
Group 1 contains the smallest percent (6.1%) of respondents. These young adults grew up
in a household where their parents carried no or extremely modest amounts of consumer
debt. Group 5, a similarly small number of young adults, 6.4%, grew up in households
where their parents had initially rising levels of consumer debts that they rapidly repaid
by their early thirties. I collapsed both of these groups into a single category of parents
who had low consumer debt at mid-life, because both groups had relatively low or no
consumer debt by mid-adulthood. Figure 4.2 shows the median amount of consumer debt
respondents in these categories held as they aged. As Figure 4.2 shows, parents in this
group were carrying consumer balances of less than $1000 by age 35 and had balances of under $500 by age 45. Table 4.2 provides descriptive statistics for the mothers of these households. Just over half of the low-debt parents are Black or African American (55.5%). Less than a third (29.1%) are Hispanic or Latino, and 15.4% are non-Black, non-Hispanics. Slightly over a third (35.1%) of these low-debt households contains both the young adult’s biological mother and father. Only 6.2% of mothers in the low-debt household are college educated. Nearly 13% of low-debt households had an income in the lowest quartile of all earners in 2007. I am unable to know from this data whether or not these households are credit constrained. However, the descriptive findings suggest households in this group share characteristics with households that experience an over-concentration of credit denial. The households may be credit constrained and, therefore, less able to contribute to their young adult children than households who have ample consumer credit available to them. However, it is also plausible that some households fall into this category because they are distinctly credit adverse and choose not to carry a balance from month to month or have other resources that make consumer credit use unnecessary.

The second classification of consumer debt experiences to emerge among parents is groups that follow the permanent income or traditional life cycle model of spending. Microeconomic theory assumes that individuals enter into debt early in their work lives because wages are low and individuals have not had the time to accumulate significant savings. However, at mid-career, there is an expected shift where households have more resources available to repay early debts. At this point, households also decrease spending in order to save for retirement (Friedman 1957, Modigliani 1986). Although Friedman
theorized about the permanent income hypothesis, or life cycle model of spending, in the 1950’s, Modigliani’s (1986) review of Friedman’s argument shows that this model of spending remains a resilient explanation of the normative pathway of financial behavior. DTA identified two groups in my data that roughly follow this expected path. 14.3% of respondents grow up in households where their parents accumulate significant debt early in their adult life course but have mostly repaid their balances by mid-life. This is Group 4 in Figure 4.1. A similar pattern emerges for Group 3, which contains 6.7% of respondents who do not enter into debt until after age thirty, but are still able to repay all or nearly all of their consumer debt by their mid-forties. I collapse these two groups, due to their similar experiences into one group of households where debt is falling by mid-life. Figure 4.3 shows the median outstanding consumer loan balance households in this group owed for each year between ages 18-47. Descriptive findings for the collapsed group of falling mid-life debtors is in Table 4.2. These households follow a similar path, despite having differing levels of overall consumer indebtedness and have roughly $1000 or less in consumer debt at age 45. When examining this group, I find that nearly ten percent (9.1%) of the mothers have college educations. About twice as many of these households (12.3%) fall in the top quartile of earners in 2007 compared to only 6.1% of the low-debt households. This group is much more racially diverse than either the low- or the high-debt households; 46.2% of households with falling debt at mid-life are Black or African-American, 22.9% are Hispanic or Latino, and 30.9% are non-Black, non-Hispanics. Almost half of these households (45.8%) contain both of the respondent’s biological parents.
The final group to emerge is parents who carry high consumer debt across their life course. This group consists of significantly more households than other groups. 66.5% of young adults come from household where their parents carried significantly high consumer debt balances throughout their lives. The high-debt group is created by collapsing three groups who carry consumer debt at mid life. First, there are the 10.2% of households, Group 2 in Figure 4.1, who start adulthood with relatively low consumer credit balances, but assume more consumer debt in mid-life. The second classification, Group 6 in Figure 4.1, includes 9.9% of households that pay off or pay down their consumer debts at one point, only to re-enter consumer indebtedness at mid-life. The final classification I include in the high-debt group, Group 7 in Figure 4.1, which contains 46.4% of households that carry large consumer debt balances throughout their adult lives without instance of significant repayment. Of all households in the high mid-life debt category, nearly half are non-Black, non-Hispanic (49.6%), and a quarter is Black (28.7%) or Hispanic (21.7%). Thirteen percent (12.8%) of high-debt households include a college-educated mother, nearly a quarter (22.1%) are in the top income quartile in 2007, and 60.1% include both of the young adult’s biological parents. Figure 4.4 shows the outstanding median consumer debt balance households in the high debt group owed in each year between ages 18 and 47.

I ran tests of significance on each group I collapsed to make sure they were not statistically different from one another for any outcome variables. Groups I collapse are similar to others I classify as the same category in that they do not statistically vary from one another in the mean values of my dependent variables. Comparison tests also support that the resulting 3 groups of parents with low-, falling-, and high-debt at mild life are
meaningfully and statistically different from one another. While it is necessary to understand how the debt groups vary from one another, the focus of my dissertation is how parent debt experiences impact status attainment in their young adult children. I am interested in parental debt experiences only to understand the impact consumer indebtedness has on the ability of parents to invest in their young adult children and, as a result, create mobility opportunities for their children. I evaluate the impact of parental debt on mobility and stratification; however, I must first establish the influence parental debt has on investment in their young adult children. Existing research shows that parental investment generally facilitates status attainment in their children; however, we do not yet know how parents’ debt impacts the likelihood that they invest in their young adult children. To address this gap, I now present a descriptive portrait of parental investment in their young adult children by their levels of consumer debt before moving to multivariate analysis.

4.2 Descriptive Findings of Parental Investment in Young Adult Children by Parents’ Debt Histories

Here, I present descriptive findings on whether or not young adults receive parental investment across three dimensions: the ability to live at home, parents paying more than half of their general expenses, or parents contributing to the educational expenses of those young adults who are enrolled in college. I expect the young adults’ parents’ financial history with consumer debt to be a significant predictor of their investment in their children along these dimensions. Examining descriptive results is a necessary first step to see whether or not young adults receive benefits or are shouldering the burden of their parents’ consumer indebtedness as they reach young adulthood.
See Chapter 3 for a description of these and all variables in my analysis as well as a description of my sample and analytic strategy. My first dependent measure, whether or not the young adult resided with their parents, is a fairly accessible way for parents to invest in their children. It is plausible that parents simply do not have room for young adult children that previously resided with them. It is similarly plausible that young adults select to move out from their parents’ home even when parents are willing to let the young adult continue to live with them. This is, then, not a perfect measure, but it is still a fairly accessible form of investment for parents to provide to their young adult children regardless of the amount of debt they are carrying. Moreover, having an extra person in a household is generally not as expensive as maintaining a completely separate residence for them. This suggests that co-residence is a form of investment available to parents across debt experiences. Research shows that having an adult child move in after a divorce or the birth of a grandchild is one of the most common forms of resource transfers observed for low- and working-class parents (Berry 2008) and that assisting with living expenses (Aquilino 2005) and home purchases (Semyonov and Lewis-Epstein 2001) are very common forms of parental investment. As Table 2.2 in Chapter 2 shows, fewer than 19% (18.8%) of respondents live at home with their parents. Table 4.2 shows the percent of young adults living at home by debt group. Here, I find the percent of

3 I do not know whether or not parents pay rent or housing costs associated with dorms or apartments for young adults who are enrolled in college because the NLSY-YA does not ask respondents questions about this. It would be ideal to include these individuals and construct a measure of generally supported residence, but it is not possible with the data available.
young adults living with their parents is fairly consistent across groups. 10.9% of young adults from low-debt households and 11.9% of young adults from falling-debt households report living at home in 2007. Among young adults from high-debt households, 21.6% reporting living at home in 2007.

For my second analysis, I evaluate whether or not young adults parents’ report paying more than half of their general expenses and examine how this varies by their parents’ consumer debt history. Over one-quarter (25.2%) of young adults in the sample have more than half of their general expenses paid for by their parents; this is despite the respondents in the NLSY-YA being an average 24.5 years-old in 2007. For young adults raised in households with low debt, 19.2% have half or more of their general expenses paid for by their parents. For young adults in falling-debt families, 20.1% receive more than half of their general expenses from their parents. There are no significant differences in receiving this form of investment between low- and falling- mid-life debt parents. I find significant differences, however, between young adults with low- or falling-debt parents and young adults with parents who have high-debt histories. Nearly a third (29.3%) of young adults whose parents have histories of high consumer debt are paying half or more of their general monthly expenses.

For my final analysis, I examine the likelihood that parents contribute to the educational expenses of their young adult children. This is my most liberally defined measure of parental investment in my analysis because young adults who receive any amount of financial help are coded as being a recipient of this form of investment. The major limitation of this variable, however, is that is only a possible form of investment in the 52.6% of respondents who have ever enrolled in college in by 2007. Nearly half
(45.1%) of young adults who enrolled in college had parents who contributed to their educational expenses. This form of investment is stratified by parents’ debt experiences. Half (48.7%) of young adults whose parents have high mid-life debt contributed to their educational expenses, while only closer to a third of parents with falling and low mid-life consumer debt (32.7% and 30.4%, respectively) similarly contributed. When comparing means, I find that high mid-life debt parents are significantly more likely to contribute to their young adult child’s educational expenses than parents with falling mid-life debt. Given that I find significant differences between young adults whose parents have high mid-life debt to other groups when examining descriptive statistics, I expect these trends to persist in multivariate analysis.

I now proceed to a description of my multivariate findings by outcome variable. I first describe my multivariate findings for the likelihood young adults live at home, followed by my multivariate findings for parents paying more than half of their young adult child’s living expenses, and conclude my discussion of analyses by highlighting my findings on parents’ contribution to young adults’ educational expenses.

4.3 Multivariate Findings of Young Adults Living at Home by Parents’ Debt

In my first multivariate analysis, I examine the likelihood a young adult lives at home based on their parents’ experiences carrying consumer debt. Results for this analysis are reported in Table 4.3. I use Logistic Regression to estimate the likelihood that young adults live at home. As noted in Chapter 2, I expect that young adults with low-debt parents will be less likely to receive investments because their parents do not use consumer credit as a form of financial investment.
**Hypothesis 4.1:** Young adults with low debt parents will be less likely to live at home during young adulthood than young adults whose parents have falling debt at mid-life.

I expect, on the other hand that young adults with high debt parents will be more likely to live at home during young adulthood than their peers whose parents have falling-debt over time.

**Hypothesis 4.2:** Young adults with high debt parents will be more likely to live at home during young adulthood than young adults whose parents have falling debt at mid-life.

I find no significant difference in the likelihood of living at home between young adults with low mid-life debt and their peers with parents who have falling mid-life debt. The coefficient for low mid-life debt, while in the expected direction, is not significant in multivariate analysis. I fail to support Hypothesis 4.1. Although the coefficient shows a relationship in the expected direction, it is not statistically significant, so there is no real difference between young adults whose parents have histories or low versus falling debt.

I can support Hypothesis 4.2. I find that, when compared to young adults with parents who have falling mid-life debt, young adults with parents who have high mid-life debt have 63.7% higher odds of living at home in 2007. It is important to note that the effect of having high-debt parents is significant net of the influence of parents’ income. The

---

4 I use falling mid-life debt as the reference category throughout my analysis. The widely-supported life cycle model of consumer spending (Friedman 1957) shows that consumers enter into debt early in life and accumulate debt until mid-life where they then begin to repay it in preparation for retirement and leaving waged work. This theory and supporting research suggests that falling mid-life debt is the normative experience of consumer debt. This makes falling mid-life debt a fitting comparison group.
influence of having parents who carry high debt over their life course is in the same, positive direction as having greater income suggesting that parents with more financial resources are more likely to provide this form of investment to their young adult children.

I include several control measures in my models to measure young adults’ perceived need of parental support. Research shows that parents are most likely to invest in their adult children who demonstrate a need for the help (Aquilino 2005, Berry 2008). I control for young adults’ age, whether or not they were in a cohabiting or married relationship, and the mean amount of hours they worked in the previous year. I add these controls as measures of the adult behaviors the young adult demonstrate, assuming that a higher value for each measure is associated with transitioning into adulthood. While I am unable to include one exact measure that can pinpoint whether or not the young adult respondent has transitioned into adulthood, being older, romantically partnered, or working more hours are all characteristics associated with adulthood. I expect that demonstrating adult characteristics negatively influence parents’ likelihood to invest in their young adult children, because they perceive them as having lower needs. My results support this assumption. Age significantly decreases the likelihood of a young adult living at home with their parents. Older young adults have 17.4% lower odds of living at home for all respondents, net of other influences. The effect of age is significant net of the influence of parents’ debt. Having parents with higher histories of consumer debt still significantly increases the likelihood that young adults live at home, even when including other significant factors.

Perceived need is not the only factor influencing parents’ investment in their young adult children. I also control for demographic characteristics shown to influence
parental investment in previous literature. Specifically, I control for young adults’ race, whether or not they are male, and the number of siblings they have. Consistent with similar research on race and parental investment (Berry 2008), I find that Black and Hispanic young adults are significantly less likely to live with their parents than are their non-Black, non-Hispanic peers, net of their parents’ debt experiences. I also find that young males are more likely to live at home than females. Finally, I find that having more siblings significantly increases the likelihood that young adults live at home.

Overall, I find that demonstrating adult behaviors and demographic characteristics influence the likelihood that a young adult will live at home. Having parents with histories of high consumer debt balances also significantly increases the likelihood young adults receive investments from their parents net of other factors.

As I previously mentioned, living at home as a means of parental investment is a somewhat evenly distributed resource available for parents to give despite their economic experiences. As long as the parents have a residence and there is physical space available for the young adult in the residence, they are able to make this investment in their young adult children. For my second analysis in this chapter, I turn to a more unequally distributed means of investment—paying the majority of general living expenses.

4.4 Multivariate Findings of Contributing to Young Adults’ General Expenses by Parents’ Debt Experience

In my second analysis, I explore the impact of parents’ experience carrying consumer debt on the likelihood that they paid more than half of their young adult children’s general expenses in 2007. Results for this analysis are reported in Table 4.5. I use Logistic Regression to estimate the likelihood that young adults have more than half...
of their general expenses paid by their parents in a year. Drawing from my argument that consumer debt is a form of financial investment for households to use to invest in their young adult children, I draw the following hypotheses:

**Hypothesis 4.3**: Young adults with parents who carry low consumer debt throughout their adult lives will be less likely to have parents who pay more than half of their general expenses than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.4**: Young adults with parents who carry high consumer debt throughout their adult lives will be more likely to have parents who pay more than half of their general expenses than young adults whose parents have falling debt at mid-life.

I am unable to support Hypothesis 4.3. Young adults with low-debt parents are not statistically different from young adults whose parents have falling debt at mid-life. While young adults with low debt parents have 16.6% lower odds than young adults whose parents have falling debt at mid-life, the difference is not statistically significant.

Consistent with the findings of my first analysis in this chapter, I again find that young adults whose parents have a history of carrying high consumer debt balances at mid-life are more likely to receive parental investment than their peers whose parents have falling debt at mid-life. I therefore support Hypothesis 4.4 and show that high debt parents are more likely to pay their young adult children’s general expenses than falling debt parents.

In this analysis, I find that, for all young adults, young adults whose parents have high mid-life debt have 7.8% higher odds of having their parents pay at least half of their living expenses than their peers whose parents have falling mid-life debt. Also, as with living at home, parents’ income has a positive affect on contributing substantially to young adults’ general expenses, with young adults with higher income parents having
2.6% higher odds of receiving this form of investment. The impact of high debt histories is net of income suggesting some parents invest all available financial resources in their young adult children.

I find that demographic characteristics additionally influence a parents’ likelihood to pay more than half of their young adult children’s living expenses. I also find that each adult characteristic the young adult displays reduces the odds that parents invest in their young adult children by paying more than half of their living expenses. Young adults have 62.5% lower odds of having parents pay more than half their living expenses when they live with a romantic partner net of other influences. Older respondents also have a 13.9% lower odds of having their parents pay half their living expenses net of other factors. Finally, work hours have negative and significant effects on the odds of parents paying their young adult children’s general expenses, resulting in 1.8% lower odds net of other factors.

After looking at a form of investment arguably available to most young adults’ parents, allowing them to live at home, a form of investment less accessible to young adults, and having parents pay more than half their living expenses, I conclude my analysis by examining a resource only available to young adults who are currently enrolled in college, whether or not their parents contribute to their educational expenses.

4.5 Multivariate Findings of Contributing to Young Adults’ Education Expenses by Parents’ Debt Experiences

In my final analysis in this chapter, I model the likelihood that young adults who are currently enrolled in college receive a parental contribution to their educational expenses and evaluate how this varies by their parents’ consumer debt histories. I use
Logistic Regression to estimate the likelihood that young adults’ parents contribute to their educational expenses based on their debt histories. I report these findings in Table 4.6. I am again assuming that consumer debt is a form of financial investment for households to use to invest in their young adult children. I expect:

**Hypothesis 4.5:** Young adults with parents who carry low consumer debt throughout their adult lives will be less likely to have parents who contribute to their education expenses than young adults whose parents have falling debt at mid-life.

**Hypothesis 4.6:** Young adults with parents who carry high consumer debt throughout their adult lives will be more likely to have parents who contribute to their education expenses than young adults whose parents have falling debt at mid-life.

Young adults whose parents have low debt at mid-life have 19.7% lower odds of having parents who contribute to their educational expenses than their peers whose parents have falling debt at mid-life. I support Hypothesis 4.5 and show that low debt parents are less likely to pay educational expenses for their young adult children which, I argue, is because they do not use the additional resource of consumer debt to invest in their young adult children. Consistent with my findings for other forms of parental investment, I find that young adults whose parents carry high debt at mid-life are significantly more likely to receive contributions to their educational expenses than their peers whose parents have falling mid-life debt. I support Hypothesis 4.6; I find that young adults with high debt parents have 44.2% higher odds than their peers whose parents have falling debt at mid life of receiving financial assistance with education. These findings further illustrate that parents likely use consumer debt as a means of investing in their young adult children to provide them with experiences that delay their adulthood, allow them to postpone
financial independence, and pursue an education. Their young adult children, as a result, are more likely to earn a middle-class status in society. Once again, I find that parents’ income is a statistically significant influence on the likelihood of contributing to education costs. However, the effects of consumer debt are net of the significant impact of income, illustrating that consumer debt is an independent and additional form of investment.

I also find that older young adults have 13.7% lower odds of having parents contribute to their education expenses. However, this effect is only moderately significant at the p<0.05 level. Race moderately influences the odds that young adults receive parental contribution toward their educational expenses. Black young adults have 46.7% lower odds of their parents contributing to their educational expenses compared with non-Black, non-Hispanic youth net of other factors. The effect of being Hispanic, however, is insignificant. I do not find a significant affect of family size on the likelihood that parents will contribute to their young adult children’s expenses despite a strong literature suggesting this does influence parents’ contribution (see Conley 2004, Steelman and Powell 1991). My findings show that family size is insignificant when controlling for parental debt history or parents’ income. It is therefore plausible that family size is most significant when not controlling for parents’ financial ability to invest. Because this is not a central variable in my analysis, I do not thoroughly explore this effect but suggest it is an avenue for future research.

4.6 Discussion of Multivariate Findings

In this chapter, I find support for Hypotheses 4.5 and show parents with low mid-life debt having a lower likelihood of investing in their young adult children’s education
by helping with education costs. I am unable to support Hypotheses 4.1 or 4.3; young adults with parents who have low consumer debt throughout adulthood are not statistically different in terms of living at home or receiving sizable contributions to general expenses than young adults whose parents follow the normative pattern of consumer spending and repay their debts at mid-life. It is possible that the children of low debt parents do not see these additional investments because their parents do not have access to credit. It is also possible that low mid-life debt is due to a calculated preference by the household to not take consumer loans or to repay them before the balance can collect interest. My findings suggest, however, that by not using consumer debt, parents are less likely to financially invest in their young adult children at the same rate as parents carrying more consumer debt, at least when compared to parents who have high debt at mid-life.

I find a much clearer pattern of parents with high debt during adulthood investing in their young adult children net of their income and other important characteristics. Young adults whose parents have a high debt at mid-life are significantly more likely to receive parental investments than their peers whose parents have falling debt at mid-life. I am able to support Hypotheses 4.2, 4.4, and 4.6 and show that parents who carry high levels of consumer debt throughout their lives are statistically more likely to financially invest in their young adults children. This suggests that households do either directly or indirectly treat consumer credit as a financial resource which they use to provide their young adult children with extended adolescence. This finding is consistent when I am looking at whether or not the parent allows the young adult child to live at home, whether or not the parent pays more than half of the young adult’s living expenses, or whether or
not the parents contribute to the young adult’s educational expenses. The findings show significance net of controlling for other factors that influence parental investment such as family income and a number of young adult characteristics. My findings show a robust relationship exists between parents with high debt at mid-life and a tendency to invest in their young adult children.

Overall, it appears that children of parents who carry high consumer debt over the life course receive more financial contributions than young adults whose parents have falling debt at mid-life. I am unable to test whether or not these families carry high balances because they are using consumer loans to make these investments or whether they are going into consumer debt in order to use earnings and other resources to invest in their children. The form of the investment does not mute the reality that these households are choosing to carry consumer balances and pay the associated interest and loan fees as a means of investing in their young adult children.

I find several other factors that influence the likelihood that young adults receive parental investment. Similar to findings by Plog et al. (2004), Aquilino (2005), and Berry (2006), I find in most instances that parents are less likely to help their young adult children when they display behaviors associated with adulthood. Parents give to their children throughout their lives (Charles and Hurst 2003, Semyonov and Lewis-Epstein 2001). However, need plays a significant role in their likelihood to give (Berry 2008, Wolff, Spilerman, and Attias-Donfut 2005). My findings suggest that entering into a cohabiting relationship with a romantic partner, getting older, and working more hours are all perceived by parents as adult behaviors and, therefore, detract from perceived need and lower the likelihood that young adults receive parental investment. The exception of
this pattern is contributing to educational expenses. I believe that work hours and cohabiting are insignificant here because the need for education credentials is so high in American society.

The finding that young adults’ receipt of parental investment varies by their parents experience carrying consumer debt over the life course suggests that debt does work as a mechanism of intergenerational stratification. It does not appear that debt diverts resources in a way that makes parental investment impossible for households who carry consumer debt throughout the life course. Instead, my research shows that debt is an avenue for parental investment. By parents having access to consumer debt, they are more able to either use those consumer loans to invest in their young adult children or they can use them for other purposes that frees up other resources to invest in their young adult children.

All the negative factors associated with consumer debt use suggest that it would be an unlikely associate of investment. Given that these households with history of high consumer debt at mid-life are paying between 12% and 39% interest for all purchases made with these loans (Kennickell 2004), one could assume that the ultimate priority in these households would be paying down consumer debt. This is especially true were they to listen to the financial advice of financial planners turned popular culture icons like Suze Orman or Dave Ramsey (Orman 2004; Ramsey 2007). Instead, these households are turning to their consumer loans to either invest in their children or manage finances so that the funds exist to invest in children while treating consumer debt as an outlet of investment similar to disposable income or cash assets. Throughout the 1990s and early 2000s, a much wider range of households gained access to consumer debt during the
democratization of debt and, until the credit bust of 2007, record levels of consumer loans were extended to households. We should not be surprised to see that the beneficiaries of the consumer loan boom are children. The American Experience greatly emphasizes a central cultural value of providing for one’s children so they may surpass the class standing of their parents.

In this chapter, I demonstrate that parental debt does influence the likelihood that parents invest in their young adult children. In the next two chapters of my dissertation, I analyze the impact of parents’ debt on their young adult children’s educational attainment, in Chapter 5, and financial behaviors, in Chapter 6. The young adults sampled in the NLSY-YA are relatively young and have not had the ability to make each transition into young adulthood. However, in examining their educational attainment and their financial behaviors, it will give greater insight on the role of debt on early transitions. Looking at educational attainment and financial behaviors will grow our understanding of the exact ways in which parental debt influences young adults’ status attainment.
Group 1: 6.1% Consistently Low Debt
Group 2: 10.2% Mid-Life Redebtors
Group 3: 6.7% Low Falling Debt
Group 4: 14.3% High Falling Debt
Group 5: 6.4% Early Repayers
Group 6: 9.9% Late Growth
Group 7: 46.4% Consistently Indebted

Source: National Longitudinal Survey of Youth.

Figure 4.1. DTA Produced Groups by Logged Amount of Outstanding Consumer Debt Parents Carry.
Figure 4.2. Median Debt by Age for Low Mid-Life Debt Parents.

Source: National Longitudinal Survey of Youth.
Figure 4.3. Median Debt by Age for Falling Mid-Life Debt Parents.

Source: National Longitudinal Survey of Youth.
Figure 4.4. Median Debt by Age for High Mid-Life Debt Parents.

Source: National Longitudinal Survey of Youth.
<table>
<thead>
<tr>
<th>Parental Deb Group</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Mid-Life Debt</td>
<td>12.5%</td>
</tr>
<tr>
<td>Falling Mid-Life Debt</td>
<td>21.0%</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>66.5%</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth.

**Table 4.1.** Young Adults’ Parents’ Debt Groupings
<table>
<thead>
<tr>
<th>Parents’ Characteristics</th>
<th>Low Debt</th>
<th>Falling Debt</th>
<th>High Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottom 25% Income</td>
<td>12.9%</td>
<td>15.3%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Top 25% Income</td>
<td>6.1%</td>
<td>12.3%</td>
<td>22.1%</td>
</tr>
<tr>
<td><strong>Race or Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American or Black</td>
<td>55.5%</td>
<td>46.2%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>29.1%</td>
<td>22.9%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Non-Black, Non-Hispanic</td>
<td>15.4%</td>
<td>30.9%</td>
<td>49.6%</td>
</tr>
<tr>
<td><strong>Family Status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biological Mother and Biological Father Married in 2007</td>
<td>35.1%</td>
<td>45.8%</td>
<td>60.1%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mother a College Graduate</td>
<td>6.2%</td>
<td>9.1%</td>
<td>12.8%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>524</td>
<td>879</td>
<td>2784</td>
</tr>
</tbody>
</table>

Source: National Longitudinal Survey of Youth.

Notes: Income grouping based on parents’ earnings the year the young adult respondent left or graduated high school. The earnings were measured in or converted to 2007 and compared to the 2007 income distribution to estimate quartile rank.

Table 4.2. Young Adults’ Parents’ Experiences with Debt by Parents’ Social Statuses.
### Form of Parental Investment

<table>
<thead>
<tr>
<th></th>
<th>Low Mid-Life Debt</th>
<th>Falling Mid-Life Debt</th>
<th>High Mid-Life Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Adult Lives at Home</td>
<td>10.9%</td>
<td>11.9%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Parents Pay More than Half of Young Adults’ General Expenses</td>
<td>19.2%</td>
<td>20.1%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Parents Help with Educational Costs¹</td>
<td>30.4%</td>
<td>32.7%</td>
<td>48.7%</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

In means comparisons tests, the means for high mid-life debt parents were significantly different than for falling mid-life debt parents for paying half of young adults’ general expenses at p<.001 and helping with education costs at p<.05. There were no significant differences between low mid-life and falling mid-life debt parents’ investments in their children.

¹For Young Adults Currently Enrolled in College Only.

**Table 4.3.** Descriptive Findings of Parental Investment by Parents’ Debt Experiences.
<table>
<thead>
<tr>
<th>All Respondents</th>
<th>Coefficients (Standard Errors)</th>
<th>Odds Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td><em>(Falling Mid-Life Debt omitted)</em></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.181 (0.318)</td>
<td>0.834</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.493** (0.186)</td>
<td>1.637</td>
</tr>
<tr>
<td>Parents’ Income&lt;sup&gt;A&lt;/sup&gt;</td>
<td>0.066*** (0.015)</td>
<td>1.068</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td><em>(Non-Black, Non-Hispanic omitted)</em></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.877*** (0.198)</td>
<td>0.416</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>-0.351&lt;sup&gt;+&lt;/sup&gt; (0.195)</td>
<td>0.704</td>
</tr>
<tr>
<td>Male</td>
<td>0.309&lt;sup&gt;+&lt;/sup&gt; (0.166)</td>
<td>1.362</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>0.538*** (0.072)</td>
<td>1.713</td>
</tr>
<tr>
<td>Age</td>
<td>-0.179*** (0.029)</td>
<td>0.836</td>
</tr>
<tr>
<td>Cohabiting (includes Married)</td>
<td>-0.549 (0.406)</td>
<td>0.578</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>-0.008 (0.007)</td>
<td>0.992</td>
</tr>
<tr>
<td>Enrolled in College</td>
<td>0.414* (0.182)</td>
<td>1.513</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>2.607</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>4817</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

<sup>1</sup>p<.1, <sup>2</sup>p<.05, <sup>3</sup>p<.01, <sup>4</sup>p<.001 (two-tailed tests)

<sup>A</sup> Coefficient and standard error multiplied by 1000.

**Table 4.4.** Logistic Regression Coefficients and Odds Ratios of Young Adults Living at Home by Parental Indebtedness and Young Adults’ Characteristics.
<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficients</td>
<td>(Standard Errors)</td>
<td>Odds Ratios</td>
</tr>
<tr>
<td>Parents’ Finances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parents’ Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Falling Mid-Life Debt omitted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.093</td>
<td>(0.291)</td>
<td>0.911</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.075**</td>
<td>(0.021)</td>
<td>1.078</td>
</tr>
<tr>
<td>Parents’ Income&lt;sup&gt;A&lt;/sup&gt;</td>
<td>0.025*</td>
<td>(0.010)</td>
<td>1.026</td>
</tr>
<tr>
<td>Control Variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Non-Black, Non-Hispanic omitted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.314&lt;sup&gt;+&lt;/sup&gt;</td>
<td>(0.180)</td>
<td>0.731</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>-0.442*</td>
<td>(0.191)</td>
<td>0.643</td>
</tr>
<tr>
<td>Male</td>
<td>-0.133</td>
<td>(0.154)</td>
<td>0.876</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.063</td>
<td>(0.063)</td>
<td>0.939</td>
</tr>
<tr>
<td>Age</td>
<td>-0.149***</td>
<td>(0.026)</td>
<td>0.861</td>
</tr>
<tr>
<td>Cohabiting (includes Married)</td>
<td>-0.981*</td>
<td>(0.4633)</td>
<td>0.375</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>-0.018**</td>
<td>(0.006)</td>
<td>0.982</td>
</tr>
<tr>
<td>Enrolled in College</td>
<td>0.368*</td>
<td>(0.166)</td>
<td>1.445</td>
</tr>
<tr>
<td>Intercept</td>
<td>5.103</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>4817</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

<sup>1</sup>p<.1, <sup>2</sup>p<.05, <sup>3</sup>p<.01, <sup>4</sup>p<.001 (two-tailed tests)

<sup>A</sup> Coefficient and standard error multiplied by 1000.

**Table 4.5.** Logistic Regression Coefficients and Odds Ratios of Young Adults Receiving More than Half of Their General Expenses from Parents by Parental Indebtedness and Young Adults’ Characteristics
<table>
<thead>
<tr>
<th></th>
<th>Coefficients (Standard Errors)</th>
<th>Odds Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Parents’ Debt</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Falling Mid-Life Debt omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.220** (0.025)</td>
<td>0.803</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.366** (0.106)</td>
<td>1.442</td>
</tr>
<tr>
<td>Parents’ Income A</td>
<td>0.053** (0.018)</td>
<td>1.013</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Race (Non-Black, Non-Hispanic omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.623* (0.297)</td>
<td>0.536</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>-0.389 (0.298)</td>
<td>0.677</td>
</tr>
<tr>
<td>Male</td>
<td>-0.319 (0.249)</td>
<td>0.727</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.147 (0.110)</td>
<td>0.863</td>
</tr>
<tr>
<td>Age</td>
<td>-0.129* (0.052)</td>
<td>0.879</td>
</tr>
<tr>
<td>Cohabitating (includes Married)</td>
<td>-0.313 (0.782)</td>
<td>0.731</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>0.013 (0.010)</td>
<td>1.013</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>2.531</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>2534</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

*p<.1, *p<.05, **p<.01, ***p<.001 (two-tailed tests)

A Coefficient and standard error multiplied by 1000.

**Table 4.6.** Logistic Regression Coefficients and Odds Ratios of Young Adults Receiving Help with College Expenses from Parents by Parental Indebtedness and Young Adults’ Characteristics
CHAPTER 5
PARENTS’ DEBT HISTORY AND EDUCATIONAL ATTAINMENT OF THEIR YOUNG ADULT CHILDREN

In the second analytic chapter of my dissertation, I evaluate the impact parents’ debt has on the educational attainment of their young adult children. I hope to address the research question: How does parental debt shape educational attainment in young adults? I expect young adults’ educational attainment will be influenced by their parents’ consumer debt. In Chapter 4, I find that parents who carry high levels of consumer debt over the life course are significantly more likely to invest in their children across numerous dimensions. One of these ways was being more likely to receive financial contributions from their parents to help with educational costs when they were enrolled in college. For this reason, I also expect that young adults with high debt parents will be more likely to attend and graduate from college than their peers whose parents have falling debt at mid-life. Drawing from my conceptual argument, presented in Chapter 2, I expect that consumer debt is a viable form of financial investment used by parents to enable the social mobility of their children. Therefore, I expect that young adults whose parents have low debt at mid-life will see less educational attainment than their peers.
whose parents have falling debt at mid-life. Conversely, young adults whose parents have high debt at mid-life will have higher educational attainment than their peers whose parents have falling debt at mid-life. I expect these differences will manifest across numerous educational outcomes and I explore attendance and matriculation as two central factors. I believe consumer debt is an important predictor of educational attainment because parents feel considerably compelled to provide their young adult children with financial support if it helps them get a college education (Descartes 2006). Parents and young adults are aware of the socioeconomic implications of not completing a college degree (Kaufman 2005) and will use all available means to financially invest in their young adults’ education.

Similar to the transmission of financial resources from generation to generation to achieve status attainment, I also believe that parents will transmit their financial behaviors intergenerationally. Young adults with parents who are continuously in debt are raised in households where debt is normalized and plays an integral role in family finances. They are also more likely to discuss debt with their parents as their parents will view debt management as a necessary skill for managing personal finances. For this reason, I believe these young adults will be more comfortable entering into debt themselves and will be more likely to receive educational loans when they enroll in college. Based on the work of Allen et al. (2007), I expect young adults who are enrolled in college to be particularly susceptible to and aware of their parents’ debt behaviors. Socializing young adults to credit use is increasingly common among parents (Shim et al. 2009). Moreover, student loan debt is becoming more and more normalized among youth who enroll in college. The cost of college continues to grow and the availability of grants
and scholarships fail to keep pace with tuition costs or are disappearing completely (Wei and Berkner 2008), leaving youth from all except top-earning households hard pressed to cover the costs of an education. Student loans may seem like a necessity, unless young adults are particularly steered away from them by their parents. My second aim in this chapter is to explore how parents’ debt histories influence the likelihood that their children take loans to finance their education and, if they do, the amount they borrow. I expect that young adults whose parents have low histories of consumer debt will be less likely than young adults with falling debt at mid-life parents to take education loans. When they do take education debt, I expect they take less than their peers whose parents have a history of carrying consumer loans. Associated with this expectation, I also expect that young adults whose parents have high debt at mid-life will be more likely to take education loans and, when they do, will take more education loans than their peers whose parents have falling debt at mid-life.

In this chapter, I evaluate how parents’ debt influences two outcomes of attainment—attending a four-year college and, for those who attend, graduating with a Bachelor’s degree. I additionally explore how parents’ debt impacts the financial aspects of pursuing a college degree—taking student loans to finance education and the amount of student loan debt young adults will assume in this pursuit.

In the following section, I present my descriptive findings of parents’ debt and education outcomes. Then, I move to the presentation of my multivariate analyses where I discuss the likelihood of ever enrolling in college for all respondents. I then examine only those young adults who have ever enrolled in college to see how parents’ debt influences their likelihood of graduating with a Bachelor’s degree, whether or not they
receive student loan debt, and the amount of student loan debt they receive. I conclude this chapter with a brief discussion of my results.

5.1 Descriptive Findings of Educational Attainment in Young Adults by Parents’ Debt

I use four dependent measures of educational attainment to see how young adults’ educational attainment is influenced by their parents’ consumer debt histories. I detail these and all variables I use in my analysis in Chapter 3 of this dissertation.

My first dependent measure of attainment is whether or not the young adult has ever enrolled in college. In Chapter 4, I find that young adults with parents that carry high levels of consumer debt throughout their life course have a higher likelihood of receiving help with their educational expenses than their peers whose parents have low debt or falling debt at mid-life. In my descriptive results for this chapter, presented in Table 5.1, I expand on this previous finding and also find that young adults whose parents have histories of high consumer debt are more likely to attend college than their peers whose parents have other experiences with debt. 55.2% of young adults whose parents have high debt at mid-life have enrolled in a four-year college by 2007. This is greater than the 49.9% of young adults whose parents have falling debt at mid-life who have ever enrolled (p<.05, t = 2.117) and the 41.7% of young adults that enrolled whose parents have low debt at mid-life. Young adults whose parents have low debt at mid-life are statistically less likely to enroll in college than their peers whose parents have falling debt at mid-life (p<.05, t = 2.102).

For each subsequent dependent measure of educational attainment, I look only at young adults who have ever enrolled in college. My second dependent variable is, among those who have enrolled, whether or not the young adult graduates from college with a
Bachelor’s degree. I find that 12.7% of my overall sample has graduated from college by 2007\textsuperscript{5}. My initial findings show that a significantly larger percentage of young adults whose parents carried high consumer debt balances graduate from college, once enrolled, than either group of their peers. For young adults whose parents have low debt at mid-life, only 10.3% of them have graduated college by 2007. A similar percentage (10.8%) of young adults whose parents have falling debt at mid-life have graduated, compared to 14.2% of their peers whose parents have high consumer debt at mid-life. In means comparisons tests, the means for young adults with high-debt parents are statistically different from those whose parents have falling and low debt at the p<.01 level. The means comparison f-statistic for falling-debt versus low-debt parents is not statistically significant.

I find a contrast between young adults regarding whether or not they take out education loans to finance their education when evaluating descriptive statistics. While 52.2% of the entire sample of young adults who have ever attended college report taking out loans to finance their education, this is stratified by parental debt histories. Only 36.5% of young adults whose parents carry low levels of consumer debt at mid-life have taken education loans to finance college. This is very different from the 50.3% and 54.6% of young adults whose parents, respectively, have falling debt at mid-life or high debt at

\textsuperscript{5} The respondents in my sample range from age 18 to 38, but they cluster around a mean of age of 24.5 years of age. For this reason, I find relatively low percentages of young adults who have graduated with a Bachelor’s degree, even when I use sample weights. It is quite possible, given their relatively young age, for a significant amount of young adults in my sample to go on to graduate with a four-year degree.
mid-life who have taken education loans. This finding suggests that, while parents with high debt may be more likely to contribute to their young adults’ education than parents with low debt, when parents with low debt do contribute to their young adults’ education expenses it may be a substantial enough contribution that the young adults are less likely to need additional federal loans to finance their education. The mean education loan for parents with low debt histories is lower than the amounts for individuals whose parents have falling and high debt at mid-life. I am unable to know, however, whether this is driven by them enrolling in less costly institutions or having a greater aversion to education loans.

I now turn to multivariate findings which I discuss in the same order as these descriptive findings.

5.2 Multivariate Findings of Young Adults Attending College by Parents’ Debt

In the first multivariate analysis for this chapter, I evaluate the likelihood of young adults enrolling in college based on their parents’ history of consumer indebtedness. I use Logistic Regression to predict ever enrolling in college. I present the coefficients, standard errors, and odds ratios for this analysis in Table 5.2. As detailed in my conceptual argument in Chapter 2, I expect that young adults with parents who carry low debt over their adult lives will be less likely to attend college than young adults with parents in the reference category because, as college costs increase the need for parental support is greater. Unlike young adults whose parents have used credit card debt early in life, parents with low debt over time may not be investing all possible resources into their young adult children. Therefore:
**Hypothesis 5.1:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to attend college than young adults whose parents have falling debt at mid-life.

However, high debt parents are using consumer debt. The impact of their higher balances means they may be using these loans to directly or indirectly invest in their young adult children. Accordingly, I expect:

**Hypothesis 5.2:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to attend college than young adults whose parents have falling debt at mid-life.

My multivariate findings reinforce my descriptive findings and I support both Hypotheses 5.1 and 5.2. I show that, net of all other important factors influencing enrollment in college, parental debt has a significant influence on whether or not young adults pursue a college education. In support of Hypothesis 5.1, I find that young adults whose parents have low debt at mid-life have 15% lower odds of enrolling in college than their peers whose parents have falling debt. I am also able to support Hypothesis 5.2. Young adults whose parents have high consumer debt at mid-life have 15.1% higher odds of enrolling in college than their peers whose parents have falling debt at mid-life. Overall, I find that young adults are more likely to enroll in college if their parents carry high levels of consumer debt. Drawing from my findings in Chapter 4, I believe this is because parents with high consumer debt are more likely to invest in their children’s educational expenses, making the cost of education less burdensome. I include parents’ income as a control variable in this model because of the well documented association between parents’ resources and the likelihood that their children will enroll in college (see Conley 2001, Menning 2002). I find that young adults whose parents have higher
incomes are significantly more likely to enroll in college with 1.3% higher odds than young adults with lower income parents. Despite the strong effect of parents’ income, I still find a significant effect of parents debt, highlighting that consumer debt is an additional financial resource parents use to invest in their young adult children. I also want to emphasize that my consumer debt measures capture debt over a thirty-year period. It is possible, much like with assets, parents consumer debt use over time provides these young adults with accumulated advantage that makes them more likely to enroll in college.

Net of the effect of parental debt, I also find that Blacks and Hispanics have 26.6% and 26.2% lower respective odds of enrolling in college when compared to non-Black, non-Hispanics. Males are also significantly less likely to enroll than females, with 38.7% lower odds holding other effects constant. I also find adult characteristics like being older and being in a cohabiting partnership decreases the odds that a young adult will enroll in college, holding their parents’ debt constant. Working more hours does not increase the odds that a young adult will enroll in college. However, I find that having more siblings significantly impacts the odds that a young adult will attend college, net of other factors.

5.3 Multivariate Findings on Young Adults Likelihood of Graduating from College by Parents’ Debt

Beyond simply attending college, I also expect that parents’ debt can influence whether or not their young adult children go on to earn a Bachelor’s degree. Part of the known mechanisms of social class reproduction is the tendency of parents from the middle and upper class to help their children earn education credentials necessary for
white collar occupations. Because consumer debt is a financial resource I show to be related to parents helping with college costs in Chapter 4, I additionally expect:

**Hypothesis 5.3:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to graduate from college than young adults whose parents have falling debt at mid-life.

**Hypothesis 5.4:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to graduate from college than young adults whose parents have falling debt at mid-life.

Results for my second multivariate analysis for this chapter are located in Table 5.3 which presents my results for whether or not young adults graduate college, when enrolled, by their parents’ debt history. I use Logistic Regression to predict coefficients, standard errors, and odds ratios of graduating with a Bachelor’s degree for young adult who ever enrolled in college.

I am unable to support Hypothesis 5.3. Young adults whose parents have low debt at mid-life do not have statistically different odds of graduating than their peers whose parents have falling debt at mid-life. I can, however, support Hypothesis 5.4. I find, similar to enrolling in college, young adults whose parents have high debt at mid-life are significantly more likely to graduate college than their peers whose parents have falling debt at mid-life. Their odds of graduation are 81.6% higher than their peers whose parents have falling debt at mid-life. Drawing from other findings, it appears that young adults whose parents have high debt are getting more contributions from their parents toward their education which is, in turn, influencing the likelihood that they graduate. Because I find that parents’ income also has a significant and positive impact on young adults’ likelihood of graduation, it appears that young adults become more likely to graduate with each additional financial resource parents invest in them.
Although parental debt is significant net of other influences, I find several other meaningful factors that affect graduating with a Bachelor’s degree. Older young adults have 25.7% higher odds they will graduate. Cohabiting with a romantic partner also increases the odds ratios that a young adult will graduate by college, giving them a 66.7% advantage over their non-cohabiting peers. Young adults who work more hours have 1.7% higher odds of graduating, net of other effects. In Chapter 4, I show that adult characteristics influence parents’ decisions to invest in their children. Regarding education, I believe it is possible that there is a spurious association between the desire to be a college graduate and other adult behaviors. This is especially true as college graduation is becoming a necessary accomplishment for young adults to see themselves as adults (Furstenberg 2006, 2008). I also find that Blacks, Hispanics, males, and young adults with more siblings have lower odds of graduating than non-Black, non-Hispanics females, and young adults from smaller families respectively, holding parents’ debt histories constant. Previous researchers find that young adults of underrepresented minority groups (Kao and Thompson 2003), males (Buchmann and DiPrete 2006), and young adults with more siblings (Conley 2001, Blake 1985) are found in previous literature to be less likely to attend and graduate college than their dominant group, female, and only-child peers. I do not find that consumer debt, while a financial resource capable of influencing the likelihood of graduating, cancels the mechanisms for these individuals to have a lower likelihood of graduation.

5.4 Multivariate Findings of Young Adults Having Student Loans by Parents’ Debt

As college tuition continues to increase, more young adults will have to discuss education loans with their parents as part of their decision making process of attending
college. Therefore, I expect that financial socialization will have an increasingly important role in the parent-child relationship. To gain insight in the likelihood that parents’ financial practices can influence their young adult children, the third multivariate analysis in this chapter focuses on whether or not young adults who have enrolled in college take student loans to finance their education and to examine how this varies based on their parents’ debt. I hypothesize that:

**Hypothesis 5.5:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to take federal student loans to pay for college than young adults whose parents have falling debt at mid-life.

**Hypothesis 5.6:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to take federal student loans to pay for college than young adults whose parents have falling debt at mid-life.

The findings for this analysis are presented in Table 5.4. I obtain these results using Logistic regression to predict taking education loans.

I support Hypothesis 5.5. I that young adults whose parents have low debt at mid life have 12.0% lower odds of taking student loans than their peers whose parents have falling debt mid-life. Young adults whose parents have high debt at mid-life have 18.3% higher odds of taking student loans when enrolled in college, compared to their peers whose parents have falling mid-life debt and net of other factors. Therefore, I support Hypothesis 5.6. This is despite my previous findings that young adults whose parents have high debt at mid-life are more likely to have parents who contribute to their educational expenses. It is both possible that these parents are either unable to contribute extensively enough that they can pay all the costs associated with a college education or that debt becomes normalized in these households to the point that young adults see
taking education loans neutrally or positively. It is also possible that consumer debt alone cannot give a household enough material advantage to make college loans unnecessary. Nonetheless, young adults whose parents carry high debt throughout their lives are significantly more likely to take education loans to get themselves through college.

I additionally find that cohabiting young adults are more likely to take education loans to pay for college. I also find that working more hours increases the odds that young adults taking on student loans by 1.2%, net of other effects. Male students are significantly less likely to take loans to finance their education when compared to their female peers, net of other effects, with 53.2% lower odds of having education loans. Given the tendency of young adult males to either not attend college or dropout prior to graduation, it is possible this is due to men remaining in college for a shorter time than females, making them less likely to need loans. It is also possible that this effect highlights selection into college by males who can afford it without loans. Finally, I find that Blacks and Hispanics have 19.8% and 65.5% lower respective odds of taking student loans than non-Black, non-Hispanics.

5.5 Multivariate Findings of Young Adults’ Education Debt by Parents’ Debt

For my final analysis of this chapter, I explore if parents’ debt influences the amount of education loans their young adult children take to finance college. I expect financial socialization not only influences whether or not young adults take student loans to pay for college, I also expect it will influence the amount of debt the young adults’ take:

**Hypothesis 5.7:** Young adults with parents who carry low levels of consumer debt over their lives will take less federal student loans to pay for college than young adults whose parents have falling debt at mid-life.
Hypothesis 5.8: Young adults with parents who carry high levels of consumer debt over their lives will take more federal student loans to pay for college than young adults whose parents have falling debt at mid-life.

In Table 5.5, I present findings from my Tobit Regression analysis examining the log education loans owed by young adults who have ever enrolled in college by their parents’ debt histories. I use Tobit analysis because nearly half of the young adults in my sample who have ever enrolled in college do not have education loans. Tobit analysis is particularly suited for censored dependent variables because it simultaneously estimates the likelihood that a respondent has education debt and uses this probability to estimate the effect of the amount of debt they carry (Long 1997).

I am unable to support Hypothesis 5.7. Not only is my coefficient insignificant, the effect is the opposite direction than I expect. I find that young adults whose parents have low debt at mid-life do not have statistically more education debt than do young adults whose parents have falling debt at mid-life. Young adults whose parents have high debt at mid-life, however, owe statistically more education loans than young adults whose parents have falling debt at mid-life (0.078, p<.01), so I support Hypothesis 5.8. Having parents with higher incomes significantly decreases the education loans owed by young adults (-0.043, p<.001). The children of high debt parents have sizably higher loans than their peers whose debt is falling at mid-life. Although I primarily suspect this is due to financial socialization, it is also possible that the same households that rely on consumer debt as a means of investment in their young adult’s children need loans to finance their children’s education. I also find that parents’ income seemingly shelters young adults from having to take a considerable amount of student debt, as higher

101
earning parents has a strong, negative, significant affect on the amount of education debt a young adult carries. Net of this finding, however, I find a very large and positive affect for parents with a history of high debt on student loans.

I do not find that age significantly influences the amount of education debt a young adult carries, but I do find a significant, positive affect for cohabiting (1.066, p<.001). Married young adults are offered more student loans and they may be more likely to accept them given that it takes more financial resources to support two people than it does to support one. I find that each additional hour young adults work decrease the student loans they take (-0.008, p<.001). Some students work in efforts to avoid taking loans, so this result likely reflects that relationship. I find that males (-0.147, p<.001), Hispanics (-0.226, p<.001), and young adults from larger families (-0.128, p<.001) have less student loan debt than their peers in the respective reference groups. Because each group is more prone to dropping out prior to completion, it is possible they have lower loan balances because they spend less time enrolled. Family size is also considered when awarding financial aid packages, which could make young adults from larger families more likely to receive scholarships and grants and less likely to be awarded only loans.

5.6 Discussion of Findings

There is a clear, established relationship between parents’ wealth and the educational outcomes of their young adult children (Steelman and Powell 1991, Conley 2001, Cha et al. 2005). Parents want to help their young adult children attend college and, when parents are able, they provide for educational expenses as much as possible. Conley (2001), for instance, finds a strong, nonlinear, positive effect of parental wealth on college attendance. When parents have wealth, it makes it more possible for their
children to attend college; the more wealth they have the more likely their children are to get in and stay in until they graduate. If debt were the solely a financial liability, as it is generally conceptualized, we should expect the opposite affect: parents who have large amounts of consumer debt would not be able to invest in their children and that indebtedness would effectively push their children away from college. Debt is, after all, a form of dissaving that detracts resources away from savings and investment. This suggests there would be fewer resources available to households to help young adults with the increasing cost of tuition, textbooks, and the many other financial obligations associated with enrolling in college.

My findings, however, suggest that consumer debt acts as a financial resource that advantages young adults in a parallel way as net worth or other financial assets in terms of intergenerational mobility. In the previous chapter, I find that parents with high debt are significantly more likely to contribute to their young adult children’s educational expenses in the previous chapter. In this chapter, I expand on that finding to show that young adults are more likely to attend college if their parents have a history of high consumer debt when compared to young adults whose parents have falling debt at mid-life or low debt. Moreover, once these young adults enter in college, they are significantly more likely to complete than their fellow students whose parents have falling debt at mid-life. From these findings, it appears that debt may work as a financial resource in terms of investing in young adults’ educational attainment. Many educational necessities and experiences can be charged and repaid using consumer debt regardless of whether the loans are extended to the young adults themselves or their parents. It is very possible that parents are charging educational expenses for their young adult children,
which is helping them enroll and remain enrolled. While data does not allow me to know the extent of parental spending on their children’s education, other research does find that parental indebtedness specifically for the purpose of financing their children’s educations is growing rapidly. Cha et al. (2005) find that parents are increasingly more likely than their children to take federally subsidized loans or open credit cards for the explicit purpose of paying their children’s educational expenses though college. Even though parents may make financial choices based on their young adult children’s educational decisions, it should not question my finding that parents’ debt influences their young adult children’s educational attainment, because my parental debt measures are over a 30-year period in which parents develop a trajectory long before their children become young adults.

While parental debt helps these young adults get into college and stay there through graduation, I do not find that debt protects young adults from having to go into debt themselves to finance their education. Young adults whose parents have high debt at mid life are nearly 25% more likely, according to my findings, to take federally subsidized education loans than their colleagues whose parents have falling debt at mid-life. I also find they carry more education debt. I further find that young adults whose parents have a history of low debt at mid-life face an even lower likelihood of taking on education loans to pay for college than their peers whose parents have falling debt. While I find in Chapter 4 that young adults whose parents have low consumer debt at mid-life are less likely to have their parents contribute to their educational expenses, the fact that fewer of them take education loans for themselves suggests that they either get more substantial investment from their parents when their parents do cover expenses, or
perhaps they have learned a general adversity to debt from their low-debt parents that cause them to find other ways to finance their education. It is entirely plausible that parental debt histories manifest in their young adult children as a product of financial socialization. I test this possibility further in the next chapter. It is unclear, however, whether the lack of student debt is a positive influence on the educational attainment of these young adults given that their peers who are more likely to take educational loans are also more likely to graduate. This assumption would be consistent with research that shows that financial investment in any regard has a strong positive influence on graduation (Conley 2001, Menning 2002).

I do not believe, however, that debt works completely equal to wealth despite initial findings of consistent patterns in terms of enrollment and graduation that others have found when researching the relationship between assets and intergenerational educational attainment. Debt is borrowed money with very clearly defined strings attached. I believe these advantages become more complicated by how young adults advantaged by debt experience college. Young adults whose parents have a history of using consumer debt and carrying high balances see returns from these financial decisions. They are more likely to enroll in and graduate from college than peers whose parents chose to repay their consumer debt during mid-life. However, the finding that these same young adults are more likely to carry education loans and have more education debt suggest the resources parents gain from consumer debt use is not enough to completely protect their young adult children from needing additional resources during early adulthood. It is also more likely that their children will see debt as a necessary or normative means of financing all purchases, including college educations. It is
additionally telling that the affect of high debt parents works the opposite as parents’ earnings when looking at taking loans or the amount of loans young adults take. While high debt parents may be able to offer their children an extended adolescence where they can pursue an education, they are unable to help their children forgo at least partially financing this expense themselves.

Experiencing extended adolescence often means delaying marriage and family in efforts to earn a college degree and a white collar job. Extended adolescence is not afforded to all young adults (Blatterer 2007); this produces very meaningful inequalities (Furstenberg 2006) because, in bypassing extended adolescence, young adults also often bypass earning the educational credentials necessary to enter into a middle class job. For those who are able to extend adolescence, though, it should be as plausible that it is as much a mechanism of social class reproduction as it is a mechanism of social class mobility. As extended adolescence gets institutionalized in the life course, it becomes more standardized (Shanahan 2000). Ninety percent of high school seniors now report expecting to attend college (Mortimer et al. 2008). Only 70% of those students actually enroll in college and only about half of those young adults graduate with a Bachelor’s degree. The young adults who experience extended adolescence are often financing it with federally subsidized education loans, consumer loans, or the debt of their parents. I find an over concentration of these young adults have parents who carry high consumer debt throughout their life course. If their experiences with education suggest they are taking paths that replicate their social class position, it would seem that the loan system is much more effective at social class reproduction than providing opportunity for mobility. This assumption is very much in line with research on the middle class’s use of consumer
debt to supplement the income loss they experienced throughout the 1980s and 1990s (Leicht and Fitzgerald 2006; Morgan and Christen 2002; Johnson, Smeeding, and Torrey 2005).

There is an element of consumer debt that contributes to the financial struggle of American families (Sullivan, Warren, and Westbrook 2000). Within individuals, it is very plausible that consumer debt use is more strongly associated with negative outcomes. I do not find this association intergenerationally, however, when evaluating parental investment and educational attainment. Instead I find that parents’ debt can be used in ways that push their children into college and keep them there. Overall, this suggests that parents’ debt can be used to help their young adult children set up favorable odds for a stable, middle class future. Even if parental debt is working as a mechanism of social class reproduction, it does not appear to be harming young adults yet in any noted way. I have not yet, however, completely explored how parents’ debt impacts the financial behaviors and situation of their young adult children. To this point, I have only looked at parental indebtedness as an avenue for investment. Here, there appears to be many positive effects of parents’ debt for young adults. The greatest burden of debt, however, is the burden of repayment. In terms of investment and attainment, young adults are going to be partly sheltered from the burden of their parents’ debt. Young adults may only be negatively impacted if their parents’ negative financial behaviors transfer between generations via financial socialization. They may similarly be rewarded for taking on their parents’ positive financial behaviors for those young adults who avoid debt.
Therefore, I examine how parents’ experiences with debt influence the finances of their young adult children further in my final analytic chapter of this dissertation. In the current chapter, I discussed how increased debt in parents translates into a higher likelihood that their children will take loans to finance their college education. I want to expand on these findings to see not only if parents’ debt influences the likelihood that their children will have education debt, I want to also see if young adults’ consumer debt behavior and debt histories are influenced by their parents’ consumer debt. Moreover, I want to examine whether or not these young adults experience financial hardship and to see how their parents’ experiences with debt influence the ease or hardship they experience when repaying their own debts. In the next chapter, I present and discuss this analysis.
<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th>Low Parental Debt</th>
<th>Falling Parental Debt</th>
<th>High Parental Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ever Enrolled in College</td>
<td>52.6%</td>
<td>43.1%</td>
<td>49.9%</td>
<td>55.2%</td>
</tr>
<tr>
<td>Graduated with a</td>
<td>12.7%</td>
<td>10.3%</td>
<td>10.8%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has Education Loans</td>
<td>52.2%</td>
<td>36.5%</td>
<td>50.3%</td>
<td>54.5%</td>
</tr>
<tr>
<td>Mean Education Debt</td>
<td>$689</td>
<td>$405</td>
<td>$604</td>
<td>$775</td>
</tr>
<tr>
<td>(Debt Holders Only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Education Debt</td>
<td>$4000</td>
<td>$3000</td>
<td>$3400</td>
<td>$4500</td>
</tr>
<tr>
<td>(Debt Holders Only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N (All Respondents) 4817 603 1011 3203
N (Ever Enrolled Only) 2534 262 504 1768

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

**Notes:**

A Ever enrolled in college percent for all young adults. All other variables are percentages for only young adults who ever enrolled in college. Mean comparison tests show that significantly fewer young adults with low debt parents enroll in college than young adult with falling debt parents at p<.05 (t = 2.102). Young adults with high debt parents are significantly more likely to enroll in college than young adults with falling debt parents. p<.05 (t = 2.199).

B There is no statistical difference between graduating with a bachelor’s degree between young adults with low or falling debt parents. Young adults with high debt parents are significantly more likely to graduate with a Bachelor’s degree than young adults with falling debt parents p<.1 (t = 1.720).

C Young adults with low debt parents are significantly less likely to have education loans than young adults whose parents have falling debt at mid-life at p<.01 (t = 2.921). There is no significant difference in taking loans between young adults whose parents have falling and high debt at mid-life.

D Mean education debt for young adults with low-debt parents are significantly lower than education debt for young adults with falling or high-debt parents at p<.001 (t = 4.154).

**Table 5.1** Respondents’ Educational Attainment Outcomes by Parents’ Debt.
<table>
<thead>
<tr>
<th></th>
<th>Coefficients (Standard Errors)</th>
<th>Odds Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Falling Mid-Life Debt omitted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.162*** (0.026)</td>
<td>0.850</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.141** (0.050)</td>
<td>1.151</td>
</tr>
<tr>
<td>Parents’ Income(^{A})</td>
<td>0.044*** (0.016)</td>
<td>1.045</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Non-Black, Non-Hispanic omitted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.310*** (0.032)</td>
<td>0.734</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>-0.304*** (0.041)</td>
<td>0.738</td>
</tr>
<tr>
<td>Male</td>
<td>-0.489*** (0.024)</td>
<td>0.613</td>
</tr>
<tr>
<td>(Female omitted)</td>
<td>(0.24)</td>
<td></td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.052*** (0.009)</td>
<td>0.950</td>
</tr>
<tr>
<td>Age</td>
<td>-0.012** (0.004)</td>
<td>0.988</td>
</tr>
<tr>
<td>Cohabiting (includes Married)</td>
<td>0.139** (0.053)</td>
<td>1.149</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>-0.034*** (0.001)</td>
<td>0.966</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>1.951</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>4817</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.  
\(p<.1, *p<.05, **p<.01, ***p<.001\) (two-tailed tests)  
\(^{A}\) Coefficient and standard error multiplied by 1000.

**Table 5.2.** Logistic Regression Coefficients and Odds Ratios of Young Adults Enrolling in College by Parents’ Debt.
<table>
<thead>
<tr>
<th></th>
<th>Coefficients (Standard Errors)</th>
<th>Odds Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Parents’ Debt</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Falling Mid-Life Debt omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.128 (0.107)</td>
<td>0.880</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.597*** (0.059)</td>
<td>1.816</td>
</tr>
<tr>
<td>Parents’ Income^A</td>
<td>0.021*** (0.003)</td>
<td>0.022</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Race</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Non-Black, Non-Hispanic omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.604*** (0.085)</td>
<td>0.547</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>-0.545** (0.085)</td>
<td>0.580</td>
</tr>
<tr>
<td>Male</td>
<td>-0.205*** (0.055)</td>
<td>0.731</td>
</tr>
<tr>
<td><em>(Female omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.101*** (0.025)</td>
<td>0.860</td>
</tr>
<tr>
<td>Age</td>
<td>0.229*** (0.008)</td>
<td>1.257</td>
</tr>
<tr>
<td>Cohabiting (includes Married)</td>
<td>0.511*** (0.061)</td>
<td>1.667</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>0.017*** (0.002)</td>
<td>1.017</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>-8.004</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>2534</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

^p<.1, *p<.05, **p<.01, ***p<.001 (two-tailed tests)

^A Coefficient and standard error multiplied by 1000.

Table 5.3. Logistic Regression Coefficients and Odds Ratios of Attaining a Bachelor’s Degree by Parents’ Debt for All Ever Enrolled Young Adults.
<table>
<thead>
<tr>
<th></th>
<th>Coefficients (Standard Errors)</th>
<th>Odds Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Falling Mid-Life Debt omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>(-0.128^*) (0.065)</td>
<td>0.880</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>(0.168^{***}) (0.026)</td>
<td>1.183</td>
</tr>
<tr>
<td>Parents’ Income(^A)</td>
<td>(-0.372^{***}) (0.019)</td>
<td>0.689</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Non-Black, Non-Hispanic omitted)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>(-0.221^{***}) (0.044)</td>
<td>0.802</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>(-1.064^{***}) (0.060)</td>
<td>0.345</td>
</tr>
<tr>
<td>Male (Female omitted)</td>
<td>(-0.759^{***}) (0.030)</td>
<td>0.468</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>(0.187^{***}) (0.013)</td>
<td>1.205</td>
</tr>
<tr>
<td>Age</td>
<td>(0.052^{***}) (0.005)</td>
<td>1.053</td>
</tr>
<tr>
<td>Cohabitating (includes Married)</td>
<td>(0.089) (0.075)</td>
<td>1.093</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>(-0.012^{***}) (0.001)</td>
<td>0.988</td>
</tr>
<tr>
<td>Intercept</td>
<td>(-0.114)</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td><strong>2534</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

*\(p<.1\), *\(p<.05\), **\(p<.01\), ***\(p<.001\) (two-tailed tests)

\(^A\) Coefficient and standard error multiplied by 1000.

**Table 5.4.** Logistic Regression Coefficients and Odds Ratios of Having Education Loans by Parents’ Debt for All Ever Enrolled Young Adults.
<table>
<thead>
<tr>
<th></th>
<th>Coefficient (Standard Error)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td></td>
</tr>
<tr>
<td><em>(Falling Mid-Life Debt omitted)</em></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>0.073</td>
</tr>
<tr>
<td></td>
<td>(0.050)</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.412***</td>
</tr>
<tr>
<td></td>
<td>(0.024)</td>
</tr>
<tr>
<td>Parents’ Income*</td>
<td>-0.018***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
</tr>
<tr>
<td><em>(Non-Black, Non-Hispanic omitted)</em></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>0.055*</td>
</tr>
<tr>
<td></td>
<td>(0.030)</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>-0.226***</td>
</tr>
<tr>
<td></td>
<td>(0.050)</td>
</tr>
<tr>
<td>Male (Female omitted)</td>
<td>-0.147***</td>
</tr>
<tr>
<td></td>
<td>(0.022)</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.128***</td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
</tr>
<tr>
<td>Age</td>
<td>-0.002</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
</tr>
<tr>
<td>Cohabitng (includes Married)</td>
<td>1.066***</td>
</tr>
<tr>
<td></td>
<td>(0.072)</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>-0.008***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>8.064</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>2534</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

*p<.1, *p<.05, **p<.01, ***p<.001 (two-tailed tests)

* Coefficient and standard error multiplied by 1000.

**Table 5.5.** Tobit Regression Coefficients for Young Adults Logged Education Debt by Parents’ Debt For All Ever Enrolled Young Adults.
CHAPTER 6

YOUNG ADULTS’ CONSUMER DEBT AND FINANCIAL HEALTH
BY PARENTS’ DEBT

In this final analytic chapter of my dissertation, I answer two research questions: How does parents’ history of carrying consumer debt influence the consumer indebtedness of their young adult children? Also, can parents’ consumer debt influence the likelihood that their young adult children experience or escape financial hardships during young adulthood? Financial socialization between parents and children rarely focuses on setting specific behavioral rules young adults must follow. Still, many parents educate their young adult children about debt and credit use (Shim et al. 2009, Allen et al. 2007). Given the increasing likelihood that Americans will use consumer credit to make purchases, parents often feel compelled to discuss responsible credit use when socializing their children about fiscal responsibility (Gutter et al. 2009). Young adults who talk with their parents about finances are subjected to their parents’ views and perspectives on debt and credit use. Research shows that an individual’s vision of responsible or justifiable credit use, however, varies dramatically (Bird, Hagstrom, and Wild 1997; Cohen-Cole and Morse 2009) leaving the recipient of financial socialization to make many assumptions about how and why parents are making various financial decisions. Direct
discussion of debt and financial behaviors is one way young adults are exposed to their parents’ financial behaviors (Allen et al. 2007). However, more often young adults learn about their parents’ financial beliefs by making assumptions about it based on their parents’ parenting style (Weinberg 2001), general financial attitude (Palmer, Pinto, and Parente 2001), or general behavior (Webley and Nyhus 2006). Young adults observe how their parents pay for purchases, see bills for credit cards coming to their parents’ homes in the mail, or hear their parents discuss specific purchases and payment methods. Using consumer credit, in particular, can be a noticeable means of payment. Young adults may observe whether or not their parents use credit cards to make payments every time they go shopping or receive a for-pay service, like eating at a restaurant, visiting a salon or barber, or making a co-payment at the family doctor’s office. I argue, then, that young adults are aware of their parents’ consumer credit use and can observe fluctuations in their parents’ debt as a result. Accordingly, I expect that parents’ credit use will influence the credit use of their young adult children. Financial socialization does not perfectly translate into young adult’s debt behaviors because young adults must observe and assign meaning to their parents’ financial actions. However, because of financial socialization as well as other related characteristics between young adults and their parents like social class and lifestyle expectations, I expect to find that young adults will have similar experiences with consumer debt as their parents. To investigate this, I predict young adults’ likelihood of carrying consumer debt, the balances they carry, and their histories carrying consumer debt to see if they follow similar paths as their parents.

Regarding the effect of parents’ debt on young adult children’s experiences with financial hardship, I expect that parents use consumer debt as a financial resource to
extend their children’s adolescence similar to the effects of parents’ debt on young adults’ other aspects of extended adolescence. Research shows that parents invest in their adult children in times of perceived need (Aquilino 2005, Berry 2008). Financial hardship is a measure of need. I expect that children whose parents historically carry high consumer debt balances will be less likely to experience instances of hardship or have a history of financial troubles because high debt parents will provide help to their children before the hardship manifests.

In this chapter, I first examine how parents’ debt influences young adults’ debt in three ways: whether or not young adults carry debt, the amount of debt young adults carry, and young adults’ experiences carrying consumer debt during young adulthood. I then analyze whether or not parents’ debt contributes to their children’s experiences with financial hardships like putting off buying necessities, having a hard time paying bills, or being unable to make ends meet.

In the following section, I present my descriptive findings of parents’ and young adults’ consumer debts. Then, I present multivariate findings using parents’ debt and other control variables to predict young adults’ likelihood of carrying consumer debt, the consumer debt balances they carry, and their histories of carrying debt. Following my discussion of the findings on debt use, I next discuss descriptive findings on the likelihood of young adults to face financial difficulties by their parents’ debt before moving to discuss multivariate findings of young adults’ financial hardship and parents’ debt histories. I conclude this chapter with a brief discussion of my results.
6.1 Descriptive Findings of Young Adults’ Debt by Parents’ Debt

Table 6.1 shows the descriptive findings of young adults’ debt by their parents’ debt histories. I find that 35.2% of all young adults in my sample were carrying a consumer credit balance when last surveyed about their finances. I find large differences in the percentage of young adults with consumer debt when separating the results by parents’ consumer debt histories. Only 9.8% of young adults whose parents have low debt at mid-life are carrying an outstanding balance on their consumer loans. This is statistically different than the amount of young adults with debt whose parents have falling debt at mid-life (t = 7.552, p<.001). Young adults whose parents have falling debt at mid-life are nearly three times more likely than youth with low mid-life debt parents to be carrying a balance, with 27.7% owing a balance on their consumer loans after the most recent payment was made. The most indebted, as I expected, are young adults whose parents have high consumer debt at mid-life. These young adults are over twice as likely as young adults with falling-debt parents and over nine times more likely than young adults with low debt parents to be carrying consumer loan balances; nearly two-thirds (62.5%) of young adults whose parents had high debt at mid-life were carrying a consumer credit balance when last interviewed after their most recent payments were paid. Young adults with high debt parents are significantly more likely to carry consumer debt balances than young adults whose parents have falling debt at mid-life (t = 8.132, p<.001)).

Not only do I find that young adults whose parents have high debt are more likely to *have* consumer debt. I also find they have higher mean and median balances as well. Young adults with high debt parents are carrying $704 balances on their consumer loans,
on average, compared to $207 and $240 mean balances for their peers whose parents, respectively, have low and falling debt at mid-life. There is no significant difference between the balances of young adults with low or falling debt. However, young adults with high debt parents have significantly more debt than young adults with parents in the reference category (t = 4.119, p<.001). When evaluating only the debt holders, I find a mean balance of $4434 for young adults whose parents have a history of high debt. I find this balance to be significantly higher than the $3317 and $3479 mean balances for the young adult debt holders whose parents had low and falling mid-life debt, respectively when conducting f-tests on the mean differences. The median debt for young adult debt holders whose parents had high mid-life debt ($1500) is also higher than for young adults in the other two groups ($1000 and $900, respectively). Each measure suggests that young adults with high debt parents are more prone to carry consumer debt than their peers whose parents have other experiences with consumer credit. I now present my multivariate findings to further explore this relationship.

6.2 Multivariate Findings for Young Adults’ Consumer Debt Use and Balances by Parents’ Debt

To begin my multivariate investigation of the influence of parents’ consumer debt on their young adult children’s credit use, I first explore how parental debt histories relate to the likelihood that their young adult children carry consumer debt. Given the known relationship between parents’ financial behaviors and young adults’ financial behaviors (Bowen 2002), I expect:

**Hypothesis 6.1:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to carry consumer debt
balances from month to month than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.2:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to carry consumer debt balances from month to month than young adults whose parents have falling debt at mid-life.

To test these hypotheses, I use Logistic Regression to compute the odds ratios that a young adult will be carrying a positive, non-zero balance on their consumer loans controlling for parents’ debt category. I present these findings in Table 6.2.

I support Hypothesis 6.1. I find that young adults whose parents have low consumer debt at mid-life are significantly less likely to carry balances on their consumer credit loans than are young adults whose parents have falling consumer debt at mid-life. Young adults with low-debt parents have 30.0% lower odds of carrying balances than their peers with falling debt parents. I also support Hypothesis 6.2; having high debt parents increases the odds that young adults will carry a consumer credit balance by 52.0% compared to young adults whose parents have falling debt at mid-life. In analyses not presented, I also ran the models using young adults with high debt parents as the reference category. I find that young adults with high debt parents have significantly higher likelihoods of having positive consumer balances than young adults whose parents have low debt at mid-life. This means that young adults with high debt parents are more likely than all other young adults to carry balances after paying the most recent payment on their consumer loans. Consumer indebtedness appears to be transmitted intergenerationally between parents with a history of high consumer debt and their young adult children. Having higher income parents also significantly increases the odds that a young adult will carry consumer debt by 1.4%. I suspect young adults from higher
income households have less anxiety about carrying consumer debt because they anticipate being able to repay it. They also likely have higher lifestyle norms, given their parents’ incomes, which may be difficult to meet with young adults’ limited earnings during their early worklife.

Black young adults and males have significantly lower odds of carrying consumer debt when respectively compared to non-Black, non-Hispanics and females. I find non-Black, non-Hispanics and males have 25.7% and 33.0% lower respective odds than their peers with complementary characteristics. Being Hispanic increases the odds that a young adult carries consumer balances. Hispanic young adults have 53.5% higher odds than non-Black, non-Hispanics of carrying consumer debt net of other influences. Similarly, being older, cohabiting with a romantic partner, and working more hours also increase the likelihood that a young adult carries consumer credit, resulting in 5.7%, 14.4%, and 0.6% higher respective odds when holding other factors constant.

Whether or not respondents have consumer debt is only part of their debt experience. Another important factor is the amount of consumer debt they carry. In Table 6.3, I present the findings from my analysis predicting the amount of consumer debt young adults carry in 2007 by their parents’ debt histories and young adults’ characteristics. I used Tobit Regression to produce these results because the majority of my sample, 64.8%, carried no balance on their consumer loans from month to month in 2007. Tobit regression accounts for censored dependent variables and produces coefficients that estimate how, in this instance, consumer debt balances vary while concurrently considering that the independent variables in the model also influence whether or not respondent carries any consumer debt (Long 1997).
In this analysis, I expect that young adults will carry less consumer debt if their parents have low histories of consumer debt over time compared to young adults whose parents have falling debt at mid-life.

**Hypothesis 6.3:** Young adults with parents who carry low levels of consumer debt over their lives will have lower outstanding consumer debt balances than young adults whose parents have falling debt at mid-life.

I also expect that young adults with high debt parents will carry more consumer debt relative to their peers whose parents have falling debt.

**Hypothesis 6.4:** Young adults with parents who carry high levels of consumer debt over their lives will have higher outstanding consumer debt balances than young adults whose parents have falling debt at mid-life.

I argue that indirect financial socialization, from observing their parent’s consumer credit use, and direct financial socializing, like being educated by parents about financial behaviors, drive the tendency of young adults to follow their parents lead regarding carrying consumer debt.

I support Hypothesis 6.3. I find that young adults whose parents have low debt at mid-life have significantly lower consumer credit balances than their peers whose parents have falling debt at mid-life. Having parents with low mid-life debt significantly decreases the log balance on their consumer credit loans by -0.234 (p<.001). I also support Hypothesis 3.4. I find that young adults whose parents carry high balances at mid-life have higher balances on their consumer loans. Their log balances are 0.429 higher than young adults whose parents have falling debt at mid-life. As with the likelihood of carrying a non-zero consumer balance, when omitting high-debt parents as the reference category (results not reported), I find that young adults with high debt
parents carry higher balances than their peers whose parents have low- and falling-debt at mid-life.

I also find that having high income parents decreases the balances young adults carry. This is the opposite effect I find from parents’ income on carrying consumer debt in this chapter, but in the similar direction as the influence of parents’ income I find on young adults’ education debt in Chapter 5. Given the high likelihood of parents helping their young adults with financial trouble, it is possible that young adults with higher income parents do not fear carrying higher balances when they do charge, but also do not need to use consumer loans as frequently as individuals with lower debt parents. It is additionally possible that higher income parents are more willing to help their young adult children pay off consumer debts than help their children keep balances manageable because these parents understand the burden consumer debt can place on household finances. Individual characteristics of the young adults play a role in predicting young adults’ consumer credit balances, net of the financial histories of their parents. Hispanics have significantly higher consumer credit balances (0.689, p<.05) compared to non-Black, non-Hispanics, as do older young adults (0.091, p<.01). I find that males have lower consumer balances than females (-0.532, p<.05), net of other influences.

When looking at the likelihood of carrying debt or the amount of debt young adults carry from month to month, I support my hypotheses that consumer debt use appears to transfer intergenerationally. Young adults whose parents have histories of lower consumer debt are less likely to carry debt and have less debt when they do than young adults whose parents have histories of falling consumer debt at mid-life. Young adults with high debt parents, I find, are more likely to carry consumer debt and carry
more than their peers whose parents have other debt experiences. The relationship between high debt parents and young adult debt seems robust, as I find a similar pattern with education debt, which I report in Chapter 5. While these snapshot measures of young adult debt are certainly telling, I argue that to fully understand their debt experiences, we must look at their debt use over time. I now turn to analyses where I examine young adults’ experiences with consumer debt throughout young adulthood.

6.3 Descriptive Findings of Young Adults’ Consumer Debt Histories

Much like we cannot fully understand parents’ experiences with consumer credit looking only at snapshot measures of consumer credit balances, we also cannot understand young adults’ financial states by only looking at whether or not they carry a balance or the amount of debt they carry at a single point in time. Debt holding can, and does, fluctuate over the life course (Johnson et al. 2005, Baek and Hong 2004). To gain deeper insight in the debt experiences of young adults, I run trajectory analysis to predict groupings by consumer indebtedness of the young adults in my sample. I run models as similar as possible to the models I use to estimate their parents’ debt histories in order to compare the debt experiences of young adults to the experiences of their parents. In my analysis, I include young adults’ income as a risk factor at each data collection point, based on the assumption that income has a meaningful association with the amount of debt a young adult carries. In order to predict robust trajectory groupings, I limit my analysis to only include young adults who report their consumer debt information for at least three waves of data collection between 1993 and 2007. I remove 473 respondents from the sample who do not have three data values of their consumer debt use. This gives me a sample of 3714 young adults to group by debt experience using DTA. Figure 6.1
illustrates the groupings produced by this analysis and shows how the balances each
group carries fluctuate over time. This figure is the SAS output graph using the
Trajectory Procedure (Jones 2010) in SAS Version 9.2. The solid line for each group is
the estimated outstanding balance of consumer debt for each year of age of respondents
placed, by DTA, in each group. When comparing this graph to the parents’ output in
Figure 4.1, it is important to note that the young adults do not have any trajectories that
come down over time. According to the permanent income model of consumer spending
(Friedman 1957), individuals finance purchases until mid-life when they begin to repay
them and start saving for retirement. Young adults in this sample have not aged into the
point of repayment, so we should not be surprised that their trajectories are moving
upward only. To provide a different representation of young adults’ debt, in Figure 6.2, I
show the median balances of young adults in each group by age. This figure only presents
median balances between ages 18 and 33, even though my sample ranges from age 18 to
38, because not all groups have members above age 33. I present descriptive findings on
these groups in Table 6.4.

There is an important finding about the differences of debt groupings between
parents and young adults that cannot be shown in figures but is interesting nonetheless.
DTA allows me to hold a group constant at zero. When predicting debt, this means, I am
able to assign a group where, to be assigned, a respondent must report zero debt balances
at each data point. DTA then finds the percentage of respondents for whom that
stipulation applies. When analyzing parents, I am able to predict a zero group, meaning
that, for the young adults’ parents, roughly 3.5% never carry consumer balances at any
time that data is collected. For some of these respondents, that is a 30-year period. In the
young adult sample, which covers only a 15 year time frame, regardless of how I fit the model, I am completely unable to identify a group of young adults who carry no debt over time. While I find a significant number of young adults who have $0 balances at a particular point in the data, none maintain a $0 balance consistently between 1993 and 2007. I believe this finding is important for two reasons. First, it illustrates the increased salience of consumer debt in the financial holdings of American households (Pressman and Scott 2009), showing that even young adults are not immune to it. Second, it suggests that vulnerable populations, like young adults developing financial independence, may be unable to make ends meet without using consumer debt as an additional income-like resources (Leicht and Fitzgerald 2006; Christen and Morgan 2005).

Although I cannot find a group of individuals who carry no debt over the time period, 42.4% of the young adult respondents in my sample carry low debt throughout early adulthood. Group 1 in Figure 6.1 represents these individuals. This is significantly greater than the percentage of parents who have histories of low debt (12.5%), as reported in table 4.1 in Chapter 4. A similar percentage of young adults, 41.6%, have some consumer debt but carry relatively manageable amounts, ranging from $100 - $2000 during the time span evaluated. These individuals are represented as Group 2 in Figure 6.1. I identified two groups of young adults with high consumer debt. The first group, Group 3 in Figure 6.1, is comprised of 10.6% of young adults who had high debt. Another 5.4% of these young adults had what I labeled unmanageable debt that started near $4000 and continued to rise into the $10,000s as they progressed through early adulthood. These individuals are Group 4 in Figure 6.1. I collapsed both groups who had high levels of consumer debt throughout young adulthood, Groups 3 and 4 in Figure 6.1,
creating one high debt group containing 16.0% of the young adults in the sample. Although I choose to collapse these two groups for analytic purposes, there is one important distinction between these two high-debt groups. The balances of the young adults with unmanageable debt grew throughout their 20’s while those with generally high debt maintained a much more constant balance after reaching approximately age 23. In evaluating descriptive statistics, I am confident in my decision to collapse these groups into one group, even with this notable difference, due to the overall large balances both carry.

When looking at the difference between young adults’ debt histories by the debt histories of their parents, presented in Table 6.4, I find that 60.2% of young adults whose parents have low consumer debt at mid-life also have low histories of consumer debt. Nearly 30% (29.2%) of young adults whose parents have low consumer debt at mid-life carry some, but manageable consumer credit balances. 10.6% of young adults whose parents have low consumer debt at mid-life carry high consumer debt balances. I find that 30.0% of young adults whose parents have histories of high consumer debt carry low consumer debt during their young adulthood, 48.1% with high debt parents carry some consumer debt, and 21.9% of young adults with high-debt parents have histories of high consumer debt. It does appear, as I expected, that low and high histories of consumer debt use is transmitted intergenerationally, as low-debt parents are most likely to raise young adult children who carry low consumer debt balances over time and high-debt parents are most likely to raise young adult children who carry high levels of consumer debt over time. After predicting the debt group that every young adult belonged to, I created dummy variables for each debt group in order to run multivariate analysis predicting the
likelihood that a young adult will fall in a particular group, net of other factors. I next present the findings of my multivariate analysis predicting the debt classification of young adult children by parents’ debt.

6.4 Multivariate Findings of Young Adults’ Consumer Debt Histories by Parents’ Debt

I expect the impact of direct and indirect consumer socialization to persist by debt histories and follow similar patterns to young adults’ likelihood of carrying consumer debt and the amount of consumer debt they carry at any single point in time. Specifically, I expect:

**Hypothesis 6.5:** Young adults with parents who carry low levels of consumer debt over their lives will be less likely to carry consumer debt balances from month to month than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.6:** Young adults with parents who carry high levels of consumer debt over their lives will be more likely to carry consumer debt balances from month to month than young adults whose parents have falling debt at mid-life.

I run a Multinomial Logistic Regression examining the likelihood of falling in the “some” or “high” consumer debt groups compared to being in the low consumer debt group for all young adults. These findings are presented in Table 6.5.

I support Hypothesis 6.5. Young adults whose parents have low consumer debt at mid-life have 70.4% lower odds of having a history of carrying some consumer debt and a 65.1% lower odds of carrying high consumer debt balances over time, net of other predictors. I also support Hypothesis 6.6. Young adults whose parents have historically high consumer debt have 16.1% higher odds of having some consumer debt over time while having 192.4% higher odds of carrying high levels of consumer debt. Having parents who carry high debt over time seems to overwhelmingly predict young adults will
do the same. Interestingly, I find the influence of parents’ income changes direction between the models predicting that young adults will fall into the some consumer debt trajectories versus high consumer debt trajectories when compared to being placed on the low consumer debt trajectories. Higher income parents are less likely to influence young adults to have some versus low consumer debt histories, but increases the likelihood their young adults will have high debt. This suggests that parental affluence may make young adults more confident to take on high amounts of consumer debt.

Regarding control variables, I find that working more hours decreases the odds that young adults will fall in the some consumer debt group by 3.4% and the high consumer debt group by 0.4% as opposed to the low consumer debt group, net of other factors. I also find that Blacks in my analysis have 16.8% lower odds than non-Black, non-Hispanics of being in the some consumer debt group versus the low consumer debt group, however I find no significant difference between Blacks falling in the high consumer debt group versus the low consumer debt group compared to non-Black, non-Hispanics. Hispanics, compared to non-Black, non-Hispanics, have 73.8% higher odds of carrying some consumer debt over time and 68.9% higher odds of carrying high consumer debt over time, net of other factors. Cohabiting with a romantic partner, I find, also increases the odds that young adults will have histories of carrying some or high consumer debt, with 26.4% and 25.5% higher respective odds compared to non-cohabitors. Males and older young adults see varying odds when predicting they will have histories of carrying marginal or high consumer debt versus low consumer debt during young adulthood. I find males and older members of my sample have 26.5% and 2.6% lower odds of, respectively, having modest debt as compared to low consumer debt
during young adulthood. However, males and younger adults have 12.0% and 5.4% higher respective odds when compared to low debt over time. I believe this finding is due to males and older young adults having higher wages and more job security in the aggregate than their female or younger peers. These advantages make them more confident to use consumer debt, resulting in higher debt over time when they use it at all.

6.5 Financial Hardship

Knowing whether or not young adults carry debt, the amount of debt they carry, and how they carry that debt is important. However, debt is primarily meaningful to inequality scholars due to the relationship between debt and hardship. Therefore, it is also useful to investigate the complex relationship between debt and hardship. In some aspects, debt is a mechanism of coping with hardship. When resources dwindle or income is unstable, households can use debt to manage necessary consumption and repay these debts when able (Bird, Hagstrom, and Wild 1997). Debt is particularly useful to young adults because it can be used to finance the cultural symbols associated with being a middle-class adult—professional clothing, a working automobile, independent housing—even before the middle class income or occupation are attained that allow them to purchase these goods outright. Often, young adults just starting in the labor force are expected to “look the part” when applying for professional jobs, even if they have little or no professional work history (Iversen and Armstrong 2006). In these instances, debt is a necessary means for investment. Despite having several positive functions, however, debt can also instigate financial difficulty. Individuals are often poor judges of their earning potential and will look to lenders decisions about their creditworthiness as estimates of their abilities to earn (Soman and Cheema 2002). Even though banks often use little more
information about an applicant’s creditworthiness than their ability to secure prior loans, consumers often believe that banks would not give them loans if they did not have the earning potential to repay it. This is particularly threatening to young consumers who do not yet have the stable jobs or work experience necessary for occupational or earnings mobility.

For young adults, the debt they carry may very well be the normative accumulation of someone who will ultimately have the means to repay it. I am unable to follow the young adults in my sample into mid-life to know if they eventually escape their consumer debt balances. I can, though, look to see if they experience financial hardships during young adulthood. Unlike adults in mid-life, who are often expected to address their financial hardships themselves, I believe that parents’ consumer debt levels will predict whether or not their young adult children experience financial hardships. I argue that parents with low debt will be less able to keep their young adult children from experiencing financial hardships because they do not use this financial resource in their household, while high debt parents will use consumer debt as a financial resource to help their young adult children avoid financial hardship.

**Hypothesis 6.7:** Young adults with parents who carry low levels of consumer debt over their lives will be more likely to experience financial hardships than young adults whose parents have falling debt at mid-life.

**Hypothesis 6.6:** Young adults with parents who carry high levels of consumer debt over their lives will be less likely to experience financial hardships than young adults whose parents have falling debt at mid-life.

To investigate young adults’ financial health, I examine the likelihood that, in the previous year, they had difficulty paying their bills, put off buying something they or someone in their household needed, and had less than enough money at the end of the
month to make ends meet. I now present descriptive results of young adults’ experiences with financial hardships.

6.6 Descriptive Findings of Young Adults’ Experiences with Financial Hardships.

In Table 6.6, I report my descriptive findings on the three financial hardships I explore for young adult respondents. In my sample, I find that 21.3% of young adults put off purchasing necessities because they do not have the resources available to do so. Over half (52.6%) of the young adults in my sample find it hard to pay their bills on time, and 5.9% routinely do not have enough resources to make ends meet in 2007. When examining differences in hardship experiences by parents’ consumer debt histories, I find that young adults whose parents have high debt at mid-life are less likely to experience these hardships than young adults whose parents have different experiences with consumer credit; t-tests of means comparisons show that young adults with high debt parents are less likely to put off paying their bills ($t = 2.059, p<.05$). Similarly, young adults with high debt parents are significantly less likely to be unable to make ends meet ($t = 1.692, p<.1$) than their peers in the reference category. There are no significant differences in experiencing these hardships between young adults whose parents have low debt versus falling debt. Only 18.8% of young adults whose parents have a history of high consumer debt put off buying necessities, compared to 25.3% of young adults whose parents have low debt at mid-life and 23.8% of young adults with falling debt parents. Similarly, less than half (48.4%) of young adults whose parents have high consumer debt at mid-life have a hard time paying their bills, while more than half of other young adults have a hard time paying their bills. 51.4% of young adults whose parents have falling debt at mid-life report having a hard time paying their bills and 61.3% of young adults
whose parents have low debt report have difficulty paying their bills. Children of low
debt parents are significantly more likely to have a hard time paying their bills than their
peers with parents in the reference group (t = 2.839, p<.01). Finally, while not having
enough resources to make ends meet is the least experienced hardship by the young
adults in my sample, a greater amount of young adults whose parents have low or falling
consumer debt at mid-life report experiencing this difficulty than young adults with high-
debt parents. 8.8% of young adults with low mid-life debt parents, 7.6% of young adults
with falling mid-life debt parents, and 5.4% of young adults with high mid-life debt
parents report difficulty making ends meet.

6.7 Multivariate Findings of Young Adults’ Hardship Experiences by Parents’ Debt

I use Logistic Regression and present the likelihood that young adults experience
each financial hardship in 2007. The coefficients, odds ratios, and standard errors are
presented in Table 6.7. Model 1 shows the likelihood that a respondent “frequently” or
“all the time” (collapsed into one variable) put off buying something they or their
household needed during 2007. Model 2 presents the likelihood that young adults had
“quite a bit” or a “great deal of” difficulty paying their bills during 2007, collapsed into
one dichotomous variable. Model 3 presents the logistic regression coefficients, odds
ratios, and standard errors of reporting not having enough resources to make ends meet in
2007. I now discuss the results for each of these models.

I support Hypothesis 3.7 and find that young adults with parents with low
consumer debt histories have significantly higher odds of experiencing each form of
hardship than young adults whose parents have falling consumer debt at mid-life. Young
adults whose parents have low consumer debt at mid-life have 48.0% higher odds of
putting off buying necessities, 25.4% higher odds of having a hard time paying bills, and 43.7% higher odds of being unable to make ends meet than their peers with parents in another reference category. I also support Hypothesis 3.8. Young adults with parents who carry high levels of consumer debt over their life course, relative to young adults whose parents have falling consumer debt at mid-life, are less likely to experience financial hardships. Young adults with high debt parents have 41.0% lower odds of putting off buying necessities, 26.5% lower odds of having difficulty paying bills, and 23.9% lower odds of being unable to make ends meet than young adults with parents in the reference group. Moreover, I find that the debt effects are net of the negative influence of parents’ income on experiencing hardship. Higher parents’ income also significantly lowers the likelihood that young adults will experience each financial hardship. I argue this shows that, much like income, consumer debt is a resource parents use to protect their young adult children from financial difficulty. I do not find such clear patterns of results with my control variables, suggesting that the relationship between other individual characteristics and financial hardship is more muddled than the relationship between parents’ finances and young adults’ likelihood of experiencing hardships.

6.8 Discussion of Findings

In this chapter, I evaluate how parents’ debt influences the financial behaviors of their young adult children. I find, across various outcomes, that having low debt parents makes young adults less likely to have debt of their own. I find a similar reciprocal relationship with the young adults of high debt parents carrying more debt than their peers whose parents have different experiences. I find that young adults whose parents have low consumer debt at mid-life are less likely to have consumer credit balances,
carry lower balances on their consumer credit loans, and carry lower levels of consumer debt throughout their young adult years than their peers whose parents have falling debt at mid-life. I conversely find that young adults whose parents have high consumer debt at mid-life are more likely to have consumer credit balances, carry higher balances on their consumer credit loans, and are more likely to carry high levels of consumer debt throughout young adulthood than young adults whose parents have falling consumer debt at mid-life. These findings support my expectations that credit behaviors can be transmitted between generations. Even though young adults are relatively free to make their own financial decisions, it appears that a significant percentage of them follow the financial leads of their parents, at least regarding consumer debt and credit use.

Although parents’ debt puts their young adult children on a similar path of credit use, I find that parents’ debt actually protects their young adult children from experiencing financial hardship. I find that young adults are more likely to experience financial hardship if their parents carry low consumer debt at mid-life. Young adults whose parents have high consumer debt at mid-life, alternatively, are less likely to experience each individual hardship. I suggest that two different possibilities could explain this persistent relationship. One option is that young adults whose parents carry high levels of consumer debt are more likely to see the windfall of their parents’ consumer credit use. Regardless of whether the parents are using their consumer loans to purchase items for their young adult children directly or pay some of their young adult children’s expenses with the income they save by using consumer loans to make purchases, these children are financially benefiting from their parents’ debt and being protected from financial hardships. Another possibility to explain how high debt in
parents being associated with low hardship in their young adult children, is these young adults are using their own consumer loans to protect them from hardship—a behavior they may well learn from their parents. High debt parents have high debt young adult children and it may be that carrying their own high debt is what protects these young adults from hardship. In either scenario, it would be ill advised to assume debt is a universal protection from financial difficulties. It is quite possible that any gains these young adults see from their parents’ debt and their own debt could quickly turn to disadvantage; any number of financial changes or personal hardships could make the high debt they are currently using to shelter themselves from hardship into an unmanageable force complicating their ability to financially survive.

Across each analytic chapter of my dissertation, I find that parents’ history of carrying consumer debt influences outcomes in their young adult children. It often does so through higher debt working as a financial resource which, when invested, increases the odds for status attainment in young adults. In this chapter I find that parents’ debt histories influence the financial outcomes of their young adult children. I now conclude this dissertation by discussing the implications of these findings, and the findings of my previous analyses, highlighting the various ways in which young adults’ mobility is shaped by their parents’ consumer credit use.
Figure 6.1. DTA Produced Groups by Amount of Outstanding Consumer Debt Young Adults Carry by Age.

Source: National Longitudinal Survey of Youth, Young Adults Sample.
Median Consumer Debt Balances by Age for Young Adult Debt Groupings

Source: National Longitudinal Survey of Youth, Young Adults Sample

Figure 6.2. Median Consumer Debt Balances by Age for Young Adult Debt Groupings
### Table 6.1. Amount of Consumer Debt Held by Parents’ Debt Grouping

<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th>Respondents with Low Debt Parents</th>
<th>Respondents with Falling Debt Parents</th>
<th>Respondents with High Debt Parents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying A Non-Zero Credit Card Balance&lt;sup&gt;A&lt;/sup&gt;</td>
<td>35.2%</td>
<td>9.8%</td>
<td>27.7%</td>
<td>62.5%</td>
</tr>
<tr>
<td>Mean Credit Card Debt&lt;sup&gt;B&lt;/sup&gt;</td>
<td>$544</td>
<td>$207</td>
<td>$240</td>
<td>$704</td>
</tr>
<tr>
<td>Mean Credit Card Debt (for Debt Holders)</td>
<td>$4093</td>
<td>$3317</td>
<td>$3479</td>
<td>$4434</td>
</tr>
<tr>
<td>Median Credit Card Debt (for Debt Holders)</td>
<td>$1500</td>
<td>$900</td>
<td>$1000</td>
<td>$1500</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

**Notes:**

<sup>A</sup>Young adults with low-debt parents are significantly less likely to carry a non-zero balance than respondents with falling debt at p<.001 (t = 7.552). Young adults with high-debt parents are more likely to carry non-zero credit-card balances than young adults with falling debt parents at p<.001 (t = 8.132).

<sup>B</sup>The mean credit card balance for respondents with high debt parents is significantly different than the mean balance for respondents with falling debt parents at p<.001 (t = 4.119). There is no significant difference in mean balance between young adults with low and falling debt parents.
<table>
<thead>
<tr>
<th></th>
<th>Coefficient (Standard Error)</th>
<th>Odds Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Falling Mid-Life Debt omitted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.356*** (0.052)</td>
<td>0.700</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.419*** (0.029)</td>
<td>1.520</td>
</tr>
<tr>
<td>Parents’ Income&lt;sup&gt;A&lt;/sup&gt;</td>
<td>0.013*** (0.05)</td>
<td>1.014</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Non-Black, Non-Hispanic omitted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.297*** (0.036)</td>
<td>0.743</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>0.428*** (0.041)</td>
<td>1.535</td>
</tr>
<tr>
<td>Male (Female omitted)</td>
<td>-0.401*** (0.025)</td>
<td>0.670</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.007 (0.010)</td>
<td>0.993</td>
</tr>
<tr>
<td>Age</td>
<td>0.056*** (0.004)</td>
<td>1.057</td>
</tr>
<tr>
<td>Cohabiting (includes Married)</td>
<td>0.134* (0.055)</td>
<td>1.144</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>0.006*** (0.001)</td>
<td>1.006</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>-2.574</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>4187</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

<sup>*p<.1, **p<.05, ***p<.01, ****p<.001 (two-tailed tests)</sup>

<sup>A Coefficient and standard error multiplied by 1000.</sup>

**Table 6.2.** Logistic Regression Coefficients and Odds Ratios of Young Adults Having Consumer Debt by Parents’ Debt and Control Variables.
<table>
<thead>
<tr>
<th></th>
<th>Coefficient (Standard Error)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
</tr>
<tr>
<td><em>Parents’ Debt</em></td>
<td></td>
</tr>
<tr>
<td><em>(Falling Mid-Life Debt omitted)</em></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-0.234** (0.090)</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.429* (0.204)</td>
</tr>
<tr>
<td>Parents’ IncomeA</td>
<td>-0.017*** (0.003)</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
</tr>
<tr>
<td><em>Race</em></td>
<td></td>
</tr>
<tr>
<td><em>(Non-Black, Non-Hispanic omitted)</em></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.375 (0.258)</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>0.689* (0.271)</td>
</tr>
<tr>
<td>Male (Female omitted)</td>
<td>-0.532* (0.220)</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.023 (0.086)</td>
</tr>
<tr>
<td>Age</td>
<td>0.091** (0.032)</td>
</tr>
<tr>
<td>Cohabitng (includes Married)</td>
<td>0.408 (0.486)</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>0.010 (0.008)</td>
</tr>
<tr>
<td><strong>Intercept</strong></td>
<td>-1.046</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>4187</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

*p<.1, *p<.05, **p<.01, ***p<.001 (two-tailed tests)

A Coefficient and standard error multiplied by 1000.

**Table 6.3.** Tobit Regression Coefficients of Young Adults Logged Outstanding Credit Card Balances by Parents’ Debt and Control Variables.
## Table 6.4.

Percentage of Young Adults with Shared Consumer Debt Experiences by Parents’ Debt Grouping.

<table>
<thead>
<tr>
<th>Category</th>
<th>Low Consumer Debt</th>
<th>Some Consumer Debt</th>
<th>High Consumer Debt</th>
<th>Very High Consumer Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Respondents</td>
<td>42.4%</td>
<td>41.6%</td>
<td>10.6%</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Parent Category</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>60.2%</td>
<td>29.2%</td>
<td>5.8%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Falling Mid-Life Debt</td>
<td>44.0%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>4.8%</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>30.0%</td>
<td>48.1%</td>
<td>14.7%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>43.1%</td>
<td>39.3%</td>
<td>11.7%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Females</td>
<td>30.1%</td>
<td>49.6%</td>
<td>13.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td><strong>Race/Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Black, Non-Hispanic</td>
<td>32.5%</td>
<td>45.8%</td>
<td>14.1%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Black/African American</td>
<td>51.7%</td>
<td>39.0%</td>
<td>7.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>35.1%</td>
<td>44.8%</td>
<td>14.6%</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>College Status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attended College</td>
<td>25.6%</td>
<td>50.4%</td>
<td>16.3%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Did Not Attend College</td>
<td>48.2%</td>
<td>38.0%</td>
<td>9.0%</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Relationship Status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cohabiting</td>
<td>37.3%</td>
<td>42.9%</td>
<td>13.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Not Cohabiting</td>
<td>36.6%</td>
<td>44.7%</td>
<td>12.5%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.
<table>
<thead>
<tr>
<th></th>
<th>Some Debt vs. Low Debt</th>
<th>High Debt vs. Low Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient (Standard Error)</td>
<td>Odds Ratios</td>
</tr>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Falling Mid-Life Debt omitted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>-1.218*** (0.111)</td>
<td>0.296</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>0.149*** (0.032)</td>
<td>1.161</td>
</tr>
<tr>
<td>Parents’ Income(^A)</td>
<td>-0.006 (0.005)</td>
<td>0.995</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race (Non-Black, Non-Hispanic omitted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>-0.184*** (0.041)</td>
<td>0.832</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>0.553*** (0.044)</td>
<td>1.738</td>
</tr>
<tr>
<td>Male (Female omitted)</td>
<td>-0.308*** (0.031)</td>
<td>0.735</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>0.116*** (0.025)</td>
<td>1.123</td>
</tr>
<tr>
<td>Age</td>
<td>-0.026* (0.012)</td>
<td>0.974</td>
</tr>
<tr>
<td>Cohabiting (includes Married)</td>
<td>0.234** (0.045)</td>
<td>1.264</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>-0.035*** (0.003)</td>
<td>0.966</td>
</tr>
<tr>
<td>Intercept</td>
<td>3.519</td>
<td>0.190</td>
</tr>
<tr>
<td>N</td>
<td>3714</td>
<td>3714</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.
\(^p<.1, \, ^*p<.05, \, ^**p<.01, \, ^***p<.001\) (two-tailed tests)
\(^A\) Coefficient and standard error multiplied by 1000.

**Table 6.5.** Multinomial Logistic Regression of Young Adults Having A History of Some or High Consumer Debt as Compared to Low Credit Card Debt by Parents’ Debt and Control Variables.
### Table 6.6. Percentage of Respondents Who Experience Hardships by Parental Debt.

<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th>Low Parental Debt</th>
<th>Falling Parental Debt</th>
<th>High Parental Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Puts Off Buying Necessities(^A)</td>
<td>21.3%</td>
<td>25.3%</td>
<td>23.8%</td>
<td>18.8%</td>
</tr>
<tr>
<td>Hard to Pay Bills(^B)</td>
<td>52.6%</td>
<td>61.3%</td>
<td>51.4%</td>
<td>48.4%</td>
</tr>
<tr>
<td>Not Enough Resources to Make Ends Meet(^C)</td>
<td>5.9%</td>
<td>8.8%</td>
<td>7.6%</td>
<td>5.4%</td>
</tr>
<tr>
<td>N</td>
<td>4817</td>
<td>603</td>
<td>1011</td>
<td>3203</td>
</tr>
</tbody>
</table>

**Source:** National Longitudinal Survey of Youth, Young Adult Sample.

**Notes:**

\(^A\)There is no significant difference in putting off buying necessities between young adults with low or falling debt parents. Young adults with high debt parents are significantly less likely to put off buying necessities at p<.05 (2.059).

\(^B\)Young adults whose parents have low debt are significantly more likely to have a hard time paying bills at p<.01 (t = 2.839). There is no significant difference in difficulty paying bills between young adults with falling and high debt parents.

\(^C\)There is no statistical difference between young adults whose parents have low versus falling debt at mid-life. However, young adults whose parents have falling debt at mid-life are statistically more likely to not have enough resources to make ends meet than young adults whose parents have high debt at p<.1 (t = 1.692).
<table>
<thead>
<tr>
<th></th>
<th>Puts Off Buying Necessities</th>
<th>Has Hard Time Paying Bills</th>
<th>Does Not Have Resources to Make Ends Meet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient (Standard Error)</td>
<td>Odds Ratios</td>
<td>Coefficient (Standard Error)</td>
</tr>
<tr>
<td><strong>Parents’ Finances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parents’ Debt</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Falling Mid-Life Debt omitted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Mid-Life Debt</td>
<td>0.392***</td>
<td>1.480</td>
<td>0.226***</td>
</tr>
<tr>
<td></td>
<td>(0.090)</td>
<td></td>
<td>(0.026)</td>
</tr>
<tr>
<td>High Mid-Life Debt</td>
<td>-0.527***</td>
<td>0.590</td>
<td>-0.307***</td>
</tr>
<tr>
<td></td>
<td>(0.051)</td>
<td></td>
<td>(0.049)</td>
</tr>
<tr>
<td>Parents’ IncomeAdobe</td>
<td>-0.039***</td>
<td>0.996</td>
<td>-0.053***</td>
</tr>
<tr>
<td></td>
<td>(0.083)</td>
<td></td>
<td>(0.002)</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Non-Black, Non-Hispanic omitted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American/Black</td>
<td>0.925***</td>
<td>2.522</td>
<td>0.448***</td>
</tr>
<tr>
<td></td>
<td>(0.054)</td>
<td></td>
<td>(0.032)</td>
</tr>
<tr>
<td>Latino/Hispanic</td>
<td>0.690***</td>
<td>1.994</td>
<td>0.198***</td>
</tr>
<tr>
<td></td>
<td>(0.072)</td>
<td></td>
<td>(0.040)</td>
</tr>
<tr>
<td>Male (Female omitted)</td>
<td>0.264***</td>
<td>1.302</td>
<td>-0.329***</td>
</tr>
<tr>
<td>Number of Siblings</td>
<td>-0.093***</td>
<td>0.911</td>
<td>0.183***</td>
</tr>
<tr>
<td></td>
<td>(0.019)</td>
<td></td>
<td>(0.010)</td>
</tr>
<tr>
<td>Age</td>
<td>0.018*</td>
<td>1.018</td>
<td>-0.029***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td></td>
<td>(0.004)</td>
</tr>
<tr>
<td>Cohabitition (includes Married)</td>
<td>0.928***</td>
<td>2.529</td>
<td>-0.636***</td>
</tr>
<tr>
<td>Mean Hours Worked</td>
<td>-0.006***</td>
<td>0.994</td>
<td>-0.002**</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td></td>
<td>(0.001)</td>
</tr>
<tr>
<td>Intercept</td>
<td>-2.441</td>
<td>0.827</td>
<td>-2.930</td>
</tr>
<tr>
<td><strong>Source:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Longitudinal Survey of Youth, Young Adult Sample.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>p&lt;.1, *p&lt;.05, **p&lt;.01, ***p&lt;.001 (two-tailed tests)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A** Coefficient and standard error multiplied by 1000.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 6.7.** Logistic Regression Coefficients and Odds Ratios of Young Adults’ Hardships by Parents’ Debt and Control Variables.
CHAPTER 7

CONCLUSION

“Mother Nature, in her infinite wisdom, has instilled within each of us a powerful biological instinct to reproduce; this is her way of assuring that the human race, come what may, will never have any disposable income.” ~ Humorist Dave Barry in Dave Barry Turns 40 (1991)

In this dissertation, I examine the implication of debt on social mobility. Instead of seeing consumer debt as a mechanism of careless profligacy, I show that parents’ consumer debt serves as a means of investment in young adult children. I also find that debt impacts young adult outcomes net of parents’ income and often in the same direction. Therefore, we should consider consumer debt, or at the very least the amount of available consumer debt, as a financial asset available to households. I show that parents’ consumer debt experiences over time meaningfully influences their young adult children in many ways. Mainly, this investment gives their young adult children the opportunity to extend adolescence. For many young adults, extended adolescence gives them an increased probability of attending and graduating from college. As college credentials become increasingly necessary for middle-class status attainment, parents’ investment in their young adult children during early adulthood effectively provides them
with an opportunity to become middle class. Across outcomes, I find that young adults are disproportionately advantaged when their parents carry high consumer balances throughout adulthood. This advantage persists and is highly significant in my models net of income, SES, and other important control variables. Based on my descriptive findings, that high debt parents are more likely to be high earners, college educated, and members of other socioeconomically privileged groups than their peers with other debt experiences. Here, consumer credit appears to work as a means of social class reproduction. However, consumer debt is also as a mechanism of mobility for young adults from lower earning and in lower strata where it serves as a means of financial capital where others may be absent. Consumer debt is a valuable resource for most households in the United States. Therefore, I argue that the democratization of credit is an important way parents have been able to financially support the cultural trend of extended adolescence in the current young adult population.

7.1 Parental Investment

In Chapter 4, I examine how parents’ debt influences the likelihood that they make investments in their young adult children. I looked at three relatively accessible forms of investment in efforts to study financial transfers that occur across the social class landscape. I analyzed how consumer credit influences the likelihood that children live at home as young adults, the likelihood that parents pay at least half of their young adult children’s bills, and the likelihood that parents contribute to the educational expenses of their young adult children. I found that young adults whose parents carry low levels of consumer debt over the life course have similar rates of living at home or having parents who pay a majority of their living expenses as their peers whose parents initially
carry consumer debt but have repaid it in mid-life. However, I found that parents with histories of low consumer debt were actually less likely to make financial contributions towards their young adult children’s college education than were parents who repay their consumer debt during mid-life.

I found that having parents who carry high levels of consumer debt over the life course significantly increased the likelihood that young adults received all three forms of financial investment. The young adults of parents with histories of high consumer debt were more likely than peers whose parents repaid their consumer debt to live at home, have parents pay half or more or their general expenses, and have parents contribute to their education costs. I found the effect of consumer debt to be positive and significant net of the positive and significant effect of having higher earning parents for each form of financial investment. The advantage of consumer debt, then, was in addition to and net of the advantages young adults receive from having high income parents.

These findings illustrate that parents use their consumer debt either directly or indirectly as a means of extending their young adult children’s adolescence by providing them with early financial support during young adulthood. Young adults who delay adulthood often see status attainment gains primarily because they use the additional years of adolescence to pursue a college degree (Furstenberg 2008). Therefore, by using consumer debt as a means of investment in their young adult children, consumer debt becomes a mechanism of intergenerational mobility because young adults whose parents use this resource see a clear advantage over their peers in the parental investments they receive.
7. **Educational Attainment**

In Chapter 5, I analyzed the impact of parents’ debt on educational attainment in young adults to further examine if young adults benefit from their parents’ credit use in specific ways that impact their status attainment. I found a very similar pattern as I found when examining parents’ consumer debt and financial investment. When young adults whose parents have a history of low consumer debt use are influenced by their parents’ consumer debt use, the influence was negative. I found a strong negative association between young adults having parents with a low consumer debt history and the likelihood they enroll in college. I found no difference, however, once young adults with low debt parents enroll in college that they were less likely to graduate relative to their peers whose parents repay their consumer debt prior to mid-life. When looking at young adults whose parents carry high levels of consumer debt throughout adulthood, I found parents’ debt consistently and positively advantages them. These young adults were more likely to enroll in and complete college than their peers whose parents repaid their consumer debt before mid-life. Parents’ debt affected educational attainment net of the positive effect of having higher income parents, again highlighting that consumer debt was an additional financial resource parents use to advantage their young adult children.

The relative advantage for young adults with high-debt parents ended when considering whether or not they take education loans to finance their education. I found that young adults whose parents have low consumer debt histories were less likely than their peers with falling consumer debt at mid-life to take student loans to finance their education. I found no significant difference between young adults with parents who had low or falling consumer debt at mid-life in terms of the amount of education loans they
took if they used federal financial aid to finance their education. Young adults with high
debt parents, on the other hand, were both more likely to take education loans and took
more education loans when they financed their education than young adults whose
parents repaid consumer loans prior to mid-life. I fear the advantage young adults get
from their parents’ consumer debt use is temporary, however, because I found that
parents who carry large balances of consumer debt over time raised young adults who
were also more likely to go into debt for their education and took more debt when they
did compared to their peers whose parents repay their consumer debt earlier. While
young adults with high debt parents saw advantages during young adulthood, their own
debt accumulation may jeopardize retaining the advantages they gain in early adulthood
once their education loans must be repaid.

7.3 Consumer Debt Use, Financial Behaviors, and Financial Health

In Chapter 6, I further explored the relationship between parents’ debt and young
adults’ debt. Here, I investigated whether or not young adults’ consumer debt use was
influenced by their parents’ consumer debt histories. In these analyses, I found clear,
persistent patterns of influence that show a strong effect of parents’ consumer debt use on
whether or not young adults carried consumer balances from month-to-month, the
amount of consumer debt young adults carried, and young adults’ consumer debt
histories during early adulthood. Young adults whose parents carried low amounts of
consumer debt throughout adulthood were less likely to carry outstanding consumer
balances, had less consumer debt, and were less likely to fall into trajectories of carrying
high consumer debt balances relative to young adults with parents who begin adulthood
with consumer debt they later repaid. Young adults with parents who had histories of
carrying high consumer debt balances, conversely, were more likely to carrying
outstanding consumer debt balances, had higher consumer debt balances, and had
significantly higher odds of entering into a pattern of carrying high debt throughout early
adulthood relative to their peers whose parents repay their debt by mid-life. I only find
discouraging effects of parents’ high consumer debt on young adults’ debt when
evaluating the amount of education and consumer debt young adults carry. I find, across
various outcomes, that high debt parents use consumer debt as a financial resource to
provide their young adult children with advantages. One important advantage they appear
unable to provide their young adult children is protecting them from carrying education
and consumer debt.

Because I found parents’ high consumer debt did not protect young adults from
credit, I also investigated young adults’ financial health to see the influence parents’ debt
had protecting them from the negative implications of their credit use. As I expected,
parents’ debt here worked as an advantage to young adults, with young adult children’s
likelihood of experiencing financial hardship strongly related to their parents’ consumer
debt histories. Young adults whose parents carried low consumer debt over time were
more likely than peers whose parents repaid their debts at mid-life to put off buying
necessary items, have a hard time paying bills, or be unable to make ends meet. Young
adults with parents who had a history of carrying high consumer debt, conversely, were
significantly less likely to experience each financial hardship than their peers whose
parents had falling debt at mid-life. In these analyses, the pattern of influence of parents’
income was also consistently negative and highly significant. Once again, it appeared that
parents use consumer debt as a financial resource net of income and other advantages to
protect their young adult children from financial hardships and providing them with benefits unseen by their peers. I am unable to know whether this advantage will be life long or if the tendency to transmit debt behaviors causes these young adults to carry debt that will negatively impact them later in life. However, I am comfortable concluding that, at least during young adulthood, the children of parents with high consumer debt over time receive advantages their peers whose parents have different debt histories do not.

7.4 Limitations of This Research

My research is not without limitations and readers should note them when considering my results. First, the greatest limitation of my research is that I assume that parents are using their consumer debt and managing their finances in ways that make consumer debt beneficial to their young adult children. My data does not allow me to know what parents are actually purchasing with their consumer credit loans. Similarly, I am unable to know other budgeting behaviors that would give me a clear understanding of parents’ debt use. While my results suggest that parents’ consumer debt use is benefiting their young adult children in meaningful ways, examining qualitative data on family budgeting and consumption behaviors would deepen our understanding of the relationship between parental debt and young adult outcomes.

Second, while I control for several social indicators like race and sex, I do not interact these measures with parental debt, despite a rich literature that discusses the relationship between financial behaviors and race (Shapiro and Oliver 1996; Campbell and Kaufman 2006; Lichter, Qian, and Crowley 2005), sex (Edwards et al. 2007, Wyly et al. 2007), and family characteristics (Keister 2003, Eggebeen and Hogan 1990, Menning...
2002). In future research, I could enrich my results by examining whether or not the findings of my dissertation are consistent by race, gender, and family composition.

Third, in addition to other methodological limitations discussed in Chapter 3, my dissertation examines the NLSY-YA which is not a true cohort of young adults. Instead, my sample is the young adults born to the female members of the NLSY79 cohort. Consumer debt has become ubiquitous in the past two decades in the United States. This has caused law makers to create various policies that protect both lenders and consumers during this time. As a result, the timing when young adults secure loans and incur debts could have drastically different implications for repayment, especially regarding the terms of these young adults’ debts. Therefore, future research examining the implications of young adults’ debt should compare the young adults in the NLSY-YA to a true cohort of individuals who are solidly members of Generation Debt to see how their debt experiences vary. While the majority of my sample are Gen Debters, the fact that they are not a true cohort could mask key historic shifts that influence individuals’ debt and finances.

7.5 Theoretical Implications of This Research

In spite of limitations, my dissertation still has strong theoretical implications for scholarship on consumer debt and social stratification. The primary theoretical contribution of my dissertation research is conceptualizing consumer debt as a resource in households that can facilitate mobility and advantage young adult children. Wealth research suggests debts be subtracted or, concerning assets, ignored altogether when exploring how resources influence status attainment between generations. While I agree that consumer debt is not equally advantageous to cash assets since debt must be repaid
and accumulates interest charges, consumer debt can be a means of investment. Consumer debt can either be used directly to purchase necessary status markers, like professional attire or college tuition, or can be used indirectly to purchase other household necessities which frees up other financial resources for investment. In my dissertation, I repeatedly find that households that use consumer debt over the life course, despite carrying high balances, provide their young adult children with meaningful resources that aid their children’s status attainment. I also find the influence of parents’ consumer debt use is advantageous to young adults net of the effect of parents’ income. Consumer debt is an additional financial resource parents use to meaningfully advantage their young adult children. Previous researchers discuss the damaging effects of credit constraint and the need for favorable-term loans in all households (Squires 2004; Wyly et al. 2007; Harris, Evans, and Beckett 2010). However, more work needs to examine the specific benefits of consumer debt use. Scholars explore the limitations of consumer credit and indebtedness (Frank 2007, Manning 2001; Leicht and Fitzgerald 2006; Sullivan, Warren, and Westbrook 2001) but we know much less about its advantages. Once we better understand both the limitations and the benefits of consumer credit use, we will better understand the impact it has on the stratification system.

An additional contribution I offer is a way of conceptualizing financial behaviors over time in order to understand how they impact stratification and mobility. Consumer debt is an admittedly minor aspect of one’s social class position. However, I find that parents’ histories of consumer debt use significantly and consistently influence the outcomes of their young adult children across numerous outcomes. DTA and other methodologies that model variables over time offer scholars ways to measure fluctuating
experiences. For instance, researchers could use DTA to map SEI scale values over time to see if social class is more hereditary for children whose parents never experience mobility compared to those who experience mobility during different points in the life course or experience mobility of varying degree. Stratification research is moving more and more towards incorporating fluid measures. For instance, stratification sociologists now use latent growth curve modeling to map inequalities and model outcomes impacted by stratification (Brown and O’Rand forthcoming; Miech, Eaton, and Liang 2003; Wilson, Shuey, and Elder 2007; Tippett 2010). DTA can additionally benefit stratification researchers as a methodological resource that allows us to group individuals based on their experiences with inequality. DTA allows us to group individuals by cumulative experiences and analyze the influence of those experiences.

7.6 Policy Implications of This Research

The majority of parent households in my sample are long-term high debtors; furthermore, I am unable to identify young adults who do not use consumer debt during their young adulthood. Due to the volume of consumer credit use I find in my research, I argue that there is a strong need for consumer-based credit reform. American households use consumer credit to finance their livelihoods. Credit reform that makes low interest, fee-free consumer debt available to all households would be hugely beneficial to individuals in these households. A return to installment-type loans could additionally help debtors. Debtors who finance costs for resources as expensive as a college education are put at a lower risk for default when the plan for repayment is clear. Lenders can just as easily offer clear-termed, installment loans that place consumers on a transparent repayment schedule where payments and costs are known when the loan is accepted. At
the very least, heightening transparency of credit practices and increasing consumer knowledge can better help debtors manage the debt they carry. The Credit CARD Act of 2009 makes some advancement by increasing information available to debtors on their loans. The act requires loan issuers to update consumers during each billing cycle on total repayment balances if debtors pay their bill entirely, over three years, or according to the minimum payment option. However, the act does nothing to control fees or cap interest rates. Also, it does little to adjust terms consumers have on already established credit lines. Reforming credit terms to advantage the debtor, or at least addresses disadvantages would greatly help consumers and allow more households to use the consumer debt available to them as a financial resource.

Whether or not there is any change to the credit industry, consumers will be more likely to use consumer debt as a financial resource if they have better knowledge of how debt works. We need to provide Americans with a strong financial education that begins young and continues into early adulthood. Just as compulsory schools teach young adults ways to care for their physical health, similar institutionalized efforts could help young adults remain financially healthy. All adults should be able to read credit contracts, to select high-quality loans, and understand how to establish creditworthiness. Our society will benefit from knowledgeable consumers who work to healthfully manage the debt their household carries if, as it appears from my research, debt is necessary to extend adolescence and provide college educations for this and future generations.

Americans would also benefit from progressive reform to address the rising costs of education and delaying adulthood. I find strong correlations between high consumer credit use in parents and the likelihood that their children delay adolescence, pursue and
receive a college education, and avoid financial hardship. Programs need to extend the resources available to young adults and the parents of young adults to lighten the financial burden extended adolescence introduces into households. The 2010 Health Care reform is one such policy, allowing young adults to remain covered by their parents’ insurance policies until age 26. It is unclear, though, how insurance rates will be impacted by this provision. It is also unclear if parents will receive any form of tax relief if they opt to pay the premiums for their children’s healthcare throughout their mid-20s. Therefore, more advantageous policy would federally fund health care for young adults throughout young adulthood, releasing their parents from the financial burden of providing it for young adult children or the likelihood that they use consumer credit to cover healthcare costs. We must also, as a society, address the increasing demand for a college educated workforce and rising tuition if we are interested in deferring the cost of extended adolescence and protecting parents from going into debt to finance it. As we move to a society where college educations are necessities, we must also consider either extending state-supported compulsory education through college or investing in a two-tiered higher education system where one tier focuses on occupational training and another tier focuses on the pursuit of a multi-dimensional, but less occupationally specific, education.

7.7 Avenues for Future Research

Extending my findings presents numerous avenues for future research on consumer credit and stratification. The most central question my dissertation leaves me with is: What about the parents? The parents who benefit their young adult children by carrying high consumer balances over time forfeit repaying their consumer loans during
mid-life to prepare for their incomes dropping when they retire. Will the parents of Generation Debt be able to retire? And if so, will they be able to do so as early senior citizens? The cohort of the NLSY79 may very well be the first cohort to enter retirement age with substantial consumer debt balances. It is worthwhile, then, to investigate the other forms of debt those in mid-life carry and see whether or not they will be able to repay them. We should expect to see an increase in older adults defaulting on loans and declaring bankruptcy if this cohort is unable to repay their consumer debts prior to retirement. The adults in the NSLY79’s cohort are particularly susceptible to hardships stemming from credit use as they age into mature adulthood as eldercare becomes more expensive and government benefits to seniors decline. If older young adults are unable to retire or enter retirement with an amount of consumer debt where minimum payments exceed pension or Social Security payments, more older Americans will fall into poverty or experience downward mobility in their retirement years. If the children of older adults assume responsibilities for the repayment of their parents’ debt, then their children risk the financial strain and downward mobility associated with simultaneously repaying their own debts and the debts of their parents. We cannot yet know how individuals entering retirement age will manage their debt as they age.

Additionally, while numerous studies investigate the net worth of the Baby Boomers, we know less about Generation X, who is now aging into mid-life. If Generation X is also accruing sizable debt to benefit their soon-to-become young adult children what outcomes will they face regarding debt repayment, asset accrual, and ability to retire? We should also explore if the young children of Generation X see advantages from their parents’ debt use similar to the young adult children of the Baby
Boomers I research in this dissertation. It is likely that Generation X will fare worse than their Post-War parents because Generation X experience young adulthood in a time where wages did not keep pace with inflation and workers are increasingly unlikely to stay in a single job for their entire work life. These labor force dynamics, paired with rising consumer debt, impacts status attainment for Generation X and their young children.

My findings also suggest that the permanent income model of spending no longer adequately describes the normative model of consumer behavior. Researchers should investigate how the rise of consumer debt and the introduction of debt into more households impacts the likelihood that adults are able to repay the debts they accumulate waiting for their income to stabilize. As Soman and Cheema (2002) argue, borrowers often make assumptions on their future earnings based on the debt they are given by banks. Perhaps when consumer debt was used less or in its infancy, consumers could make informed decisions about borrowing based on the loans they were offered. The constant restructuring of credit throughout the 1990s and early 2000s, however, resulted in cumulative incentives for banks to offer loans to consumers most unlikely to repay. The result, according to my findings, is a near majority of households that charge early and keep their consumer balances high without extended periods of lower or no debt. Without further research we cannot know if consumers are extending the permanent income trajectory Friedman (1957) hypothesizes or if the life cycle spending trajectory now takes a different shape. The growing availability of longitudinal data with rich financial measures makes answering this question possible while also examining cohort differences between Baby Boomers, Generation X, and Generation Debt.
Additionally, researchers are wise to keep following the NSLY-YA cohort and study the implications of their debt use as they age. As I note in Chapter 6, this is a group of young adults for whom a statistical program is unable to identify a group who does not carry consumer debt at some point during their young adulthood. While only one-third of young adults carry a balance on their consumer loans in the most recent wave of the NSLY-YA, all young adults not currently carrying a balance have carried one in the past. This can be a troublesome finding for a group of young adults not even aged into their late 20s on average. The young adults in the NLSY-YA sample are at risk for their now episodic indebtedness becoming problematic. As Sullivan, Warren, and Westbrook (2001) astutely point out, manageable debt is often a divorce, illness, or job loss away from missed payments or insolvency. These young adults are particularly at risk because they enter financial independence when the middle class are increasingly forced to use consumer debt to compensate for wages that do not keep pace with inflation and jobs that do not provide security or mobility opportunities. The debt these young adults carry will impact their ability to accumulate assets over the life course. Current young adults’ debt makes them less likely to eventually accumulate more wealth than their parents, a trend we observe between these young adults’ parents (the NLSY79) and their grandparents (Keister and Deeb-Soussa 2001).

Regardless the questions they choose to answer, researchers must consider the role of debt when investigating issues of stratification and inequality. Debt influences inequality and stratification for all Americans because it is so increasingly present in our economic system. The impact is not limited to influencing young adults. In this dissertation, I begin exploring the complicated relationship between consumer debt and
intergenerational mobility. I find that parents use consumer debt to provide their young adult children with an extended adolescence where the children of high debt parents see multiple benefits of their parents’ debt use which advantages them net of their parents’ income and other significant factors. I find these advantages to include living at home during young adulthood, having parents pay general expenses and contribute to college educations, and being protected from financial hardships. Moreover, parents’ debt helps young adults enroll in and complete college. High debt parents seem unable, however, to prevent their children from accumulating sizable debts of their own leaving young adults with the looming obligation of repaying the debt they accumulate. Ultimately my research suggests that the gains in status attainment young adults receive from debt is cast in the shadows of the loans accumulated to pay for it.
REFERENCES


