Sinking, Swimming, or Yachting in Deep Water: The Role of Consumer Debt and Assets in Marriage

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Abstract

This study examines the role of assets and consumer debt in marriage. Structural equation modeling using a nationally representative, longitudinal sample indicates that assets and debts moderate the relationship between negative financial events and feelings of economic pressure. Couples with assets equal to three months worth of income and no consumer debt experienced the least economic pressure during negative financial events. A second analysis demonstrates that consumer debt levels increase future marital conflict intensity – even after controlling for prior conflict intensity. Contrary to expectations, however, assets also increased marital conflict, even though it decreased feelings economic pressure in the same model. A period effect may have brought about this counter-intuitive finding. The 1990-1991 recession, may have hurt asset owners through exposure to market risk thus increased marital conflict.

Introduction

Social science research is beginning to more fully investigate the influence of financial assets and liabilities play in individual's lives. Assets may provide individuals better financial prospects, and ultimately offer more opportunities and choices in their lives (Caputo, 2003; Kohn, Naoi, Schoenbach, Schooler, & Slomczynski, 1990; Sherradan, 1991). Consistent with the idea that assets provide choices and opportunities, assets have been shown to play a role in positive mental well-being (Kohn et al., 1990; Muntaner, Eaton, Diala, Kessler, Sorlie, 1998; Yadama & Sherraden, 1996). Assets may also protect individuals from uncertainty and anxiety during economically difficult times (Sherraden).

Like assets, consumer debt[1] has implications for well-being, though scholars have studied debt less than assets. Some argue that debts restrict opportunities and choices because individuals must pay them off with funds that might be used for other things (Schor, 1998; Chatzky, 2003). It may also hinder wealth accumulation by making setting aside regular savings more difficult (Chatzky). Consumer debt may also lower an individual's credit rating thus hurting their chances for getting a loan to obtain other investments such as a home.

Debts can also restrict non-economic choices. Schor (1998) found that more than two-thirds of employees at a large company wanted to reduce the number of hours that they worked, but that half of those employees said they could not reduce their hours because they had to work to pay off their consumer debt. Not only does consumer debt govern present choices, it might also lower one's expectations about the future since the period for paying off debt (and the associated interest) is often years into the future. One's financial future has become, in effect,

[1] Unless specifically noted, the terms "financial liabilities" and "debt" refer to consumer debt. That is, I am referring to debt that does not generate human and financial capital (e.g., credit card debt). I will discuss the rationale for this restriction and the specific types of debt used in this study later.

written when large amounts of consumer debt is assumed, which may dampen thoughts about the future (Elder, Robertson, & Foster, 1994; Chatzky). Consumer debt is also associated with some aggressive collection practices that may increase distress (Drentea, 2000; Drentea & Lavrakas, 2000). In line with these theories, consumer debt predicts negative health and well-being (Drentea; Drentea & Lavrakas).

Despite the empirical links between assets, debts, and individual well-being, they have rarely been the explicit focus in studies of marital processes. This is unfortunate since assets and debts may affect what occurs in marriages (Murdock, Hamm, Potter, & Albrecht, 1988). A few studies have found links between assets ownership and a lower likelihood of divorce (Galligan & Bahr, 1978; Levinger, 1965), but scholars have not tested the mechanisms behind these links. Other studies have included debt-to-asset ratios in structural equation models that explain marital processes, but have only allowed debts and assets to influence marriage indirectly (Conger et al., 1993; Conger, Ge, & Lorenz, 1994). Further, the effect of debts and assets on marital processes was not the focus of these studies. Rather, they were independent variables in studies of the effects of other variables on marital processes.

Methodological flaws also limit knowledge on the role assets and debts play in marriage. Few studies include both assets and debts in their analytical models model; they usually only include one or the other. Research should study assets and debts together because they may affect marriage jointly (Murdock et al., 1988). Also, together they influence access to financial institutions and financial capital (Aizacorbe et al., 2003).

Studies that do include both debts and assets generally combine them mathematically (e.g., though debt-to-asset ratios) making interpretation difficult. A debt-to-asset ratio of zero, for example, gives no information about couples' assets and may mask important group differences.

Finally, very few of the studies use nationally representative, longitudinal studies, which make generalizing findings difficult and weaken causal arguments.

This research adds to the literature in three ways. First, it takes as its explicit focus the role debts and assets play in marriage in a two-part analysis. The first analysis draws on the financial hardship literature and tests whether assets and debts influence couples' experience of economic strain. The second analysis then specifies and tests indirect and direct pathways through which debt and assets may affect marital conflict. A second way that this study adds to the literature is that it tests the independent effects of debt and assets on marriage, rather than mathematically combining these two factors or omitting one. Third, this study utilizes a nationally representative, longitudinal sample to increase confidence that the findings represent the relationship between assets, debts, and marital processes.

Background

Moderating Influences of Assets and Debts

The most indirect way assets and debts may influence marriage is by affecting feelings of economic pressure. Economic pressure is a state of distress brought about by worry over one's finances, having to cut back in consumption, and becoming dissatisfied with one's finances (Conger et al., 1993; Conger et al., 1990; Conger et al., 1994; Conger, Rueter, Elder, 1999). It is often associated with negative financial events such as job loss or job insecurity (Conger et al., 1994; Conger et al., 1990). Within the family stress model (Conger et al., 1994, Conger et al., 1999, see Figure 1), economic pressure increases emotional and psychological distress, which in turn increases conflictual marital interactions and decreases positive marital interactions. (Conger et al., 1993; Conger et al., 1990; Conger et al., 1994; Conger et al., 1999; Kinnunen & Pulkkinen, 1998; Kwon, Rueter, Lee, Koh, & Ok, 2003).

Studies have shown that debts and assets impact feelings of economic pressure. Debt-to-asset ratios positively predicted feelings of economic pressure (Conger et al., 1993; Conger et al., 1994). Thus, assets and debts do play some role in a couples' feeling of economic pressure. However, conceptual and methodological issues make it difficult to understand how assets and debts relate to economic pressure.

The first conceptual problem is that prior literature limits the role of debts and assets to simple predictors of economic pressure. That is, the higher a family's debt to asset ratio, the higher their economic strain is. Conceptualizing debts and assets this way puts them in the same class as negative financial events. While empirically valid, this seems a bit narrow. Framing debts and assets simply as markers of negative economic forces may miss important ways in which they affect marital processes during financial hardship.

Second, financial assets and liabilities also seem conceptually different then negative financial events because they are more under the control of the couple. Couples decide whether to save, invest, and/or assume debt. Contrastingly, couples rarely get to decide whether they become unemployed or experience expensive emergency health problems. Thus, assets and debts may be substantively different from negative financial events and researchers might profitably model them as such.

One methodological problem in past literature that has limited understanding the debts, assets, and marriage is the mathematical combination of debts and assets. Debt-to-asset ratios cannot indicate whether a relationship between assets, debts, and marital processes is due to having certain levels of debt, having certain levels of assets, or a combination of the two. Further, a debt-to-asset ratio of zero says nothing about couple's assets. Individuals with no debt may have no assets, or they may hold over one million dollars in assets but both extremes have a

debt-to-asset ratio of zero. Additionally, a debt-to-asset ratio can cause large mathematical differences when few real differences exist. For example, the debt-to-asset ratio of individual with $5,000 in credit card debt and $1 in assets is one-hundred times that of an individual with $5,000 in credit card debt and $100 in assets. Though the ratios vary by a factor of 100, the real difference between these two individuals' financial situation is probably not large.

An additional methodological problem with studies that looked at the relationship between debt, assets, and economic pressure is that many of them use highly selected samples. Researchers began their study of the effects of negative financial events on marriage as they sought to understand the effects of the farm crisis of the early 1980's on rural families. Thus, many of the samples were composed of agricultural producers and their rural neighbors (Conger et al., 1993; Conger et al., 1994; Murdock et al., 1988).

Trying to generalize the results of studies on debts and assets from agriculturalists to the general population is problematic. The ability to procure debt in order to support one's occupation and livelihood was essential in agricultural production during the 1970's agricultural expansion, though a high debt-to-asset ratio increased the likelihood of a farm failing during the later economic downturn (Elder et al., 1994; Lasley, 1994)[2]. However, outside of the agricultural industry, the ability to procure debt is rarely necessary to maintain one's occupation and livelihood. Thus, debt may play a different role in the marriages of agricultural workers than in the marriages of non-agricultural worker. The role of assets in marriage may also differ between families in the agricultural sector and those employed elsewhere because assets (with the exception of business equity) are not as tied to one's livelihood as much as those whose assets are in their land and farm equipment.

[2] Despite the conceptual and methodological disadvantages of debt-to-asset ratios in these studies, these ratios are logical to use in studies of agricultural producers because their livelihood depends on being able to acquire both assets and debt.

Rather than simply predicting economic pressure, assets moderate the ability of negative financial events to bring about such pressure. When couples experience negative financial events, they often have to give up their accustomed standard of living (Liker & Elder, 1983; Sherraden, 1991). However, when couples have assets set aside, they can liquidate assets to maintain their standard of living for a while (Sherraden). Thus, couples with adequate assets put aside may not feel economic pressure, or may not feel it as severely as those who have no assets, because they can continue to live the lifestyle to which they are accustomed. Simply put, assets smooth over financial difficulties (Page-Adams & Sherraden, 1997; Sherraden). Only one test of these assertions could be located. Factory workers who owned their own homes felt less economic strain when they were laid off than did non-home owners (Page-Adams & Vossler, 1995 as cited in Page-Adams & Sherraden).

> Hypothesis 1a: Assets will moderate the relationship between negative financial events and economic pressure. That is, couples with adequate assets who face negative financial events will feel less economic pressure than those who face these events with few assets.

Conversely, debts should enhance the ability of negative financial events to bring about economic pressure. Negative financial events may make it difficult for couples to make the minimum payments on their debts. Stress is most associated with debt when individuals skip making a payment on the account (Drentea, 2000). Additionally, when negative financial events occur, couples may reevaluate their finances. Those with consumer debt may suddenly understand how precarious their financial situation truly is. This realization may elevate economic pressure. Finally, one of the main ways that couples cope with negative financial events is to limit purchases (Elder et al., 1994; Voydanoff & Donnelly, 1988; Yeung & Hofforth, 1998). Couples with debt may have to make deeper cuts in purchases than couples without debt because a portion of their income has to go toward debt payments. Researchers have not yet

tested the ability of debts and assets to moderate feelings of economic pressure during financial strain, though it has been proposed (Chatzky, 2003; Sharraden, 1991).

> Hypothesis 1b: Debt will moderate the relationship between negative financial events and economic pressure. Couples with consumer debt will experience more economic pressure during negative financial events than those without consumer debt.

Combining information on levels of assets and debts (by using non-mathematical combinations) might yield the clearest knowledge on the moderating role of assets and debt. For example, couples with debt who have adequate assets should feel less economic pressure during negative financial events than couples with debt who lack assets. Couples with assets and no debt should be feel the least economic pressure during negative financial events as they are in the most secure economic position.

> Hypothesis 1c: Assets and debts together will affect the patterns of the relationship between negative financial events and economic stress. Couples with adequate assets and no debt will have experience the least relationship between negative financial events and economic strain. Those couples who lack adequate assets but who still have debt will experience the highest relationship between negative financial events and economic strain.

Indirect and Direct Effects of Assets and Debts on Marital Conflict

The family stress model (Conger et al., 1994; Conger et al., 1999, see Figure 1) delineates the effects that flow from economic pressure, to decreased psychological well-being, to marital conflict. Since assets and debts seem to influence these factors, the family stress model provides an ideal framework in which to test both the indirect and direct roles that assets and debts may play in marriage.

In making the decision to set aside resources for future use, individuals and couples may feel more in control of their lives. The decision to turn income and other monies into assets is one aspect of a family's finances that is largely under a couples' control and may enhance feelings of locus of control. Supporting the idea that assets lead to feelings of control, empirical

evidence shows that savings predict positive changes in future orientation, and feelings of efficacy (Yadama & Sherraden, 1996). Locus of control has not been included in prior tests of the family stress model. However, it probably should be included because feelings of economic pressure reflect an inability to control one's finances or make desired and necessary purchases (Conger, et al., 1999).

Hypothesis 2: Assets will positively predict an internal locus of control.

Hypothesis 2 is a necessary replication of Yadama & Sherraden's (1996) work because it uses data that are more recent. Yadama and Sherraden's work used data collected between 1968 and 1972. Various factors, including deregulation and tax changes in the early 1980's, have influenced the availability and attractiveness of investing in financial markets for American families (Kinnickell & Shack-Marquez, 1992). Thus, more families owned assets in financial markets in the late 1980's than the early 1970's (Kinnickell & Shack-Marquez) and these changes in asset holdings might influence the relationship between assets and locus of control.

This study expands Yadama and Sherraden's (1996) work by controlling for economic pressure. Controlling for economic pressure is essential because economic pressure may mediate the relationship between assets and locus of control. If assets affect locus of control solely by reducing economic pressure, then no direct relationship between assets and locus of control exists. The previous finding did not explore this relationship and thus it is unknown if assets directly influence locus of control or play an indirect role.

Unfortunately, no studies linking individual locus of control to marital conflict could be located. However, marital locus of control – how much a spouse feels their individual actions affect what goes on in the marriage – is negatively associated with reports of marital problems and disagreements (Myers & Booth, 1999). Individual locus of control might influence martial

conflict if an external locus of control makes it likely that people will attribute blame and responsibility to their spouse for their individual or family problems. Blaming ones spouse for relationship problems does increase conflict and negatively impacts marriages (Baucom et al., 1996; Fincham, Harold, & Gano-Phillips, 2000).

Hypothesis 2b: An internal locus of control will negatively predict marital conflict.

Related to locus of control, depression might decrease as couples accumulate assets. Epidemiologists have demonstrated that wealth is associated with lower prevalence rates of mood and anxiety disorders over a 12-month period (Muntaner et al., 1998). Like other researchers, they argue that assets have a salutary effect on mental health because it decreases economic pressure (Muntaner et al., 1998).

Hypothesis 3a: Assets will negatively predict changes in depression.

This test is different from Muntaner et al.'s (1998) test, however, because it looks at change in depression and controls for economic pressure. Muntaner et al. looked at the effect of assets on 12-month prevalence rates of mood and anxiety disorders, which are cross-sectional measures. This study analyses the relationship between assets and depression using a lagged regression model. That is, depression measured in the second panel is regressed onto assets in the first panel while controlling for the effects depression in the first panel. This robust test gives more confidence about the relationship between assets and depression because it partially reduces the chance for selection to play a role in findings. Another way that this study expands Muntaner et al's work is by testing the relationship between assets, economic pressure and depression. Muntaner et al argued that assets decrease depression by reducing economic insecurity. However, they did not test this hypothesis; rather they tested the direct relationship between assets and depression prevalence. This study tests the direct relationship between assets

and depression while specifically considering economic insecurity.

Debts may also predict depression beyond the effects brought about by economic pressure. However, scholars have rarely examined the relationship between debt and depression. A longitudinal study of young mothers conducted in the United Kingdom found debt to be one of the strongest predictors of later depression, though the relationship fell to nonsignificance when initial depression scores were entered into the model (Reading & Reynolds, 2001). However, no study examining debt and depression in U.S. samples could be located.

Debts can predict a psychological state related to depression – anxiety. Drentea (2000) found that the debt to income ratio was positively associated with anxiety. When the stress about the debt itself was considered, the relationship between anxiety and debt-to-income ratio was reduced, but not below significance. Thus, debts may increase psychological distress beyond the economic pressure they generate.

Hypothesis 3b: Debts will positively predict changes in depression.

Research has shown a positive reciprocal link between depression and marital conflict. Depression makes negative marital interactions more likely (Davila, Bradbury, Cohan, & Tochluk, 1997) and predicts poor conflict resolution tactics (Coyne, Thompson & Plamer, 2002; Marchand & Hock, 2000). Negative marital relations then reinforce depression or can create new depression (Davila, et al., 1997; Davila, Karney, Hall, & Bradbury, 2003).

Hypothesis 3c: Depression will positively predict marital conflict.

Besides influencing marital conflict intensity indirectly, assets and debts might also directly influence it. Assets may contribute to less conflict intensity. If spouses are investing in assets in a manner that respects both parties, they are accumulating more of what they both value, which may lead to less intense conflict so that spouses can continue to accumulate wealth

together (Levinger, 1976).

Hypothesis 4: Despite controlling for the indirect paths of the family stress model, assets at time one will negatively predict future marital conflict.

Debt may directly contribute to marital conflict if spouses argue over the necessity and practicality of assuming debt. These disagreements or arguments may strain marriages independent of the emotional strain that being in debt creates, especially if resentment over the debt continues in the marriage after its assumption. When a spouse feels that their partner handles money foolishly the odds of divorce increase substantially, and retrospective reports of marital conflicts increase as debt-to-asset ratios increase (Amato & Rogers, 1997; Murdock, et al., 1988).

Hypothesis 5: Despite controlling for the indirect paths of the family stress model, debts at time one will positively predict future marital conflict.

Methods

Sample

This study uses data from the first two panels of the National Study of Families and Households (NSFH). Begun in 1988, the NSFH is a nationally representative longitudinal study of individuals. It began with 13,007 individuals and surveyed many of the participant's partners. This study uses a sample of all individuals who were married in the first panel and remained married through the second. These requirements yield a sub-sample of 3,238 participants.

This study is restricted to married individuals for four reasons. Marriage enjoys a unique legal stance in that it enables couples to hold assets and debts jointly. Undertaking legal proceedings to end the marital relationships often means dividing assets and debt. Relatedly, married individuals are more likely than cohabiting individuals to pool income (Heimdal & Houseknecht, 2003), and this tendency may extend to assets as well. Another reason that this

study only looks at married couples is that married individuals generally accumulate more assets over their lives than non-married individuals (Hirschl, Altobelli, & Rank, 2003). Finally, cohabiting relationships are inherently more unstable than marriage, with ninety percent of cohabiting unions ending (in separation or marriage) in five years (Bumpass & Lu, 2000). Since five years separate the first and second panels in this study, it would be almost impossible to use this data to study the role of assets and debts in cohabiting unions.

This study tests structural equation models using AMOS software (5.0) to evaluate the hypothesis within the family stress model. Two fit indices evaluate the model fit: the comparative fit index and the RMSEA. In this study, a "well-fit" model has a CFI of at leaset .9 and a RMSEA of less than .05 (Kaplan, 2000; Jaccard & Wan, 1996).

Models

Tests of hypotheses 1a, 1b, and 1c are conducted separately from the other hypotheses because they specify an interaction effect. Interactions between latent variables (e.g. latent product terms) can be difficult to test and require sophisticated matrix specifications to avoid model misspecification and incorrect estimates (Jaccard & Wan, 1996). To keep the analysis simple and free from error, this study uses a multi-group analysis as an alternative to creating latent variables with product-term indicator variables.

A multigroup test for latent interactions utilizes straightforward logic. First, four groups are created by crossing two levels of assets (adequate, inadequate) and two levels of debt (no debt, any debt)[3]. After creating the measurement and structural model (see Figure 2), the structural path coefficients that are thought to vary by asset and debt levels are constrained to be equal across the four groups. For example, the path from impoverishment to economic pressure in the adequate asset/no debt group is constrained to be equal to that same path in the three other

[3] See the measures section for the definitions of the cut points and the rationales behind them.

groups. The model is then estimated twice – once without any constraints, and once under the constrained coefficient condition – and obtains two fit estimates. A chi-square difference of fit test then compares the two fit estimates. If the difference test indicates that the unconstrained model fits better than the constrained model than an interaction is implicated. An interaction between asset/debt levels and negative financial events is present because allowing the path coefficients to vary across groups fits the data best (Jaccard & Wan, 1996).

Selection is an obvious critique of this analysis. That is, individuals who have adequate assets and/or no debts may differ from those who lack assets and/or have debt. These differences may also affect how negative financial events contribute to feelings of economic pressure. To assess selection in the model testing hypotheses 1a, 1b, and 1c, I evaluate the loadings of indicator variables on the latent variable to see if they differ by group. If the indicator variable loadings differ across asset groups or debt groups, then I may not be assessing the same constructs in the different groups, and thus selection may play a role in the findings.

Tests of hypotheses 2 - 5 utilize a more traditional SEM approach (see Figure 3). The outcome variables are regressed onto antecedent variables according to the family stress model (Conger et al., 1994; Conger et al., 1999). That is, marital conflict intensity is regressed onto measures of psychological well-being (depression and locus of control). Depression and locus of control are regressed onto economic pressure. In addition to the paths specified by the family stress model, assets will predict depression, locus of control, and marital conflict and debt will predict depression and marital conflict style.

Measures

The NSFH data has detailed questions on ownership and values of different types of assets. This study uses net asset values in five asset types: savings, investments, home equity,

real estate equity, and business equity. I take the log base 10 of each asset type to correct for the extremely positively skewed distributions.

Testing an interaction using multi-group nested models[4] requires a cut point in the amounts of assets. Nothing in the peer review literature has addressed what "adequate" versus "inadequate" assets are. However, popular financial advice literature commonly suggests that individuals have an emergency fund of three to six months of living expenses in liquid assets (Chatzky, 2003). Since the NSFH does not assess living expenses, this research defines adequate assets as having assets equal to three months or more of income. This research also does not restrict assets to being liquid since couples can leverage non-liquid assets to obtain cash quickly in the event of a financial emergency (e.g., by utilizing home-equity line of credit).

This study uses total consumer debt, instead of total debt, because consumer debt may relate differently to marriage than non-consumer debt. Couples can use non-consumer debt to generate human capital and financial capital (Ferber & Lee, 1980). Additionally, companies that offer consumer debt use more aggressive collection practices in the event of a default, than non-consumer debt (Drentea & Lavrakas, 2000). This research uses three indicators of consumer debt: credit card debt, installment loans on consumer goods, and over due bills. To correct the positive skew of debts I used a log base 10 transformation debts for each debt type.

To evaluate hypothesis 1a, 1b, and 1c, a cut point in debt levels was also created. Theoretical guidance from the peer-review literature is absent on this point. However, eliminating high interest debt is one of the mantras of the personal finance literature (Chatzky, 2003). Consumer debt almost universally carries higher interest rates than non-consumer debt (Chatzky; Drentea, 2000; Drentea & Lavrakas, 2000). Therefore, individuals with no consumer

[4] Hyptheses 1a, 1b, & 1c use the cut points for assets and debts. In hypotheses 2 – 5, the full values of the assets and debts are used.

debt group form one group and those with consumer debt will form the other. The two asset groups are then crossed with the two debt groups to form four groups: adequate assets, no debt; adequate assets, debt; inadequate assets, no debt, and inadequate assets, debt.

Negative financial events include items that indicate that the participant's family finances might have suffered between the panels. Participants experienced these events between the two panels, and reported them in the second panel. These variables include percent below poverty, number of years on public assistance, total public assistance needed, and husbands' decrease in hours worked. Two variables – weeks of husband's unemployment and weeks of wives' unemployment – only took into account the year prior to the second survey, not the entire five years.

A factor analysis (not shown) indicated a three-factor solution fit the data the best. One latent factor seemed to tap participants experience with impoverishment and included percent below poverty, years on public assistance, and total public assistance needed between the panels. Another factor included the number of work hours the husband lost between waves, and the number of weeks that husbands were unemployed in the year prior to the survey. Finally, wife's weeks of unemployment in the past year loaded separately from the other variables. These three factors will be called "impoverishment", "husband's employment problems", and "wives' employment problems"

The latent construct of economic pressure uses two indicator variables. One item asks respondents how much they worry about being able to pay their bills. The other variable asks respondents to rate their satisfaction with their finances.

Depression has 12 standard indicators of depression. These items asked participants to indicate how many days they felt certain symptoms of depression such as not feeling like eating

or feeling depressed. Locus of control has four indicator variables. These are four items measure to what extent individuals feel they are controlled by outside forces in their lives.

Three items tap marital conflict intensity. These items measure respondent's conflict resolution strategies during disagreements with their spouse. They assess how often spouses use strategies range from calmly discussing the problem to throwing things.

Age, gender, total family income, and education, and the number of children in the household are also controlled.

Results

Descriptive results demonstrate the high debt/low savings profile typical of American families (Federal Reserve Board, 2004, Schor, 1998; See Table 1). Sixty percent of the participant families report some sort of consumer debt. Those who hold credit card debt (50% of the sample) have a median $1,000 (1988 dollars) in credit card debt. The median amount of savings is only $4,000, and the median net home equity stands at $28,000. Most participants lack investments, business equity, and real estate equity.

Though the debt levels seem low compared to current statistics in government reports and the popular press, they are comparable to other surveys taken in the late 1980's. Consumer indebtedness patterns and levels in this sample are quite similar to the patterns and levels reported in the 1989 Survey of Consumer Finances (Kinnickell & Shack-Marquez, 1992). One of the reasons these numbers seem somewhat below expectations is the consumer debt explosion that occurred during the 1990's (Federal Reserve Board, 2004; Schor, 1998).

Bivariate correlations of observed variables support most of the hypotheses (see Table 2). Assets are negatively correlated with economic pressure (r = -.19, $p < .001$), depression (r = -.15, $p < .001$), and a problematic style of marital conflict resolution (r = -.08, $p < .001$). They

are positively correlated with an internal locus of control ($r = .11$, $p < .001$). Debts are positively related to economic pressure ($r = .16$, $p < .001$), depression ($r = .05$, $p < .05$), and a problematic style of resolving marital conflicts ($r = .06$, $p < .001$).

The multigroup structural equation analysis of assets and debts in lend strong support to hypotheses 1a, 1b, and 1c (see Table 3). The four groups of asset/debt combinations experience economic strain differently than each other during negative financial events (Difference Test, χ^2 (9, $n = 3238$) = 19.194 $p < .05$), and the overall model fit was satisfactory (χ^2 (164, n =3238) = 426.715 $p < .001$, CFI = .92, RMSEA = .02). Consistent with hypothesis 1a, no relationship between economic strain and wives' unemployment exists for couples with adequate assets. Those with inadequate assets do evidence a relationship between wives' unemployment and economic strain. Consistent with hypothesis 1b, individuals with no debt experience no relation between husbands' employment problems and economic pressure. Those with debt do experience a relationship between husbands' employment problems and economic pressure. Finally, hypothesis 1c is also supported. Crossing levels of assets and debts shows that for those individuals with adequate assets and no debt, the only type of negative financial event that predicts economic strain is impoverishment. All the other asset/debt groups report that two types of negative financial events predict feelings of economic strain.

A closer review of this test reveals that the moderating effects of debts and assets are not as straight forward as they seem, however. Contrary to hypothesis 1c, assets protect couples from economic strain during wives' unemployment regardless of their debt levels. Individuals with no debt do not report strain during husbands' employment problems, regardless of their asset levels. Finally, directly contrary to hypothesis 1c, individuals who have inadequate assets and some level of debt are the only group who report no relationship between economic strain

and impoverishment.

Unfortunately, selection may contribute to the differences found between the four groups. The difference test in the indicator variable loadings were significant across the groups (Π^2 (df = 12, n = 3238) = 24.273, $p < .05$). Since some of the indicators load differently on the latent variables (see Table 4), the latent factors may actually be different constructs across the groups.

The test of assets and debts in the family stress model shows some support for hypotheses 2 – 5 (see Figure 4). Consistent with prior literature, debts and assets significantly predict economic pressure ($\beta = .40$ $p < .001$; $\beta = -.30$ $p < .001$, respectively) – though this study treats them as separate constructs, rather than joint constructs. Consistent with hypothesis 5, debts positively predict problematic marital conflict styles as anticipated ($\beta = .18$, $p < .01$). Contrary to hypothesis 3b, debts are unrelated to future depression.

The model shows some surprises regarding assets (see Figure 4). Assets positively predict depression ($\beta = .11$, $p < .05$), and problematic marital conflict styles ($\beta = .13$, $p < .05$), and negatively predict an internal locus of control ($\beta = .29$, $p < .001$) once feelings of economic pressure are controlled. These findings contradict hypothesis 2, 3a, & 4, which specified that assets would positively predict locus of control and negatively predict depression and problematic marital conflict styles.

Interestingly, debts and assets both predict marital conflict intensity better than income (one of the control variables) does ($\beta = -.09$, $p < .05$).

Discussion

This research adds to the literature by specifically focusing on the role assets and debts play in marriage. One analysis tested whether assets really do moderate negative financial events as proposed (but rarely tested) in the literature (Page-Adams & Sherraden, 1997;

Sherraden, 1991). This study found that having assets equal to three month's worth of income in the first panel negated any future relationship between wife's employment problems and economic pressure. Couples may liquidate assets to maintain their standard of living while the wife searches for a new job (Sherraden, 1991). However, assets did not moderate the relationship between impoverishment and economic pressure or husbands' employment problems and economic pressure.

This analysis also tested whether consumer debt moderates the relationship between negative financial events and economic pressure. Couples who had consumer debt at the beginning of the study reported a positive relationship between husbands' employment problems and economic pressure; those without debt reported no such relationship. The couples with debt may face the stress of making payments on high interest consumer debt when the husband becomes unemployed. This stress may account for the relationship between the husbands' employment problems and their feelings of economic pressure (Lavrakas, 2000).

This second analyses demonstrated that debts and assets might play a more significant role in the family stress model than the indirect roles they have occupied to this point. In line with the family stress model, debts and assets predicted economic strain. Debts increase economic pressure, and assets decrease it, though in this study they were independent factors, rather than being a ratio. As hypothesized, debt also seems to play a direct role in the intensity of marital conflict. Debt measured in the first panel positively predicted marital conflict intensity in the second panel even after controlling for prior marital conflict intensity, depression, and locus of control.

Debt may directly influence the intensity of marital conflict because couples may disagree and argue about the necessity of assuming debt for a given purchase. One spouse may

continue to hold a grudge over the debt, especially if going into debt to purchase one item precludes purchasing a different item. Given that the initial levels of marital conflict were controlled, that debt predicts conflict intensity five years out indicates a robust finding.

Surprisingly, assets also seemed to indirectly and directly hurt marriages in the context of the family stress model. When economic pressure was controlled, assets increased negative psychological states (depression and external locus of control), which indirectly increased the intensity of marital conflict. Assets also directly increased the intensity of marital conflicts after it was regressed onto psychological states. These effects are all contrary to the hypotheses that specified salutatory influences of assets.

The counterintuitive findings are likely the result of including economic pressure in the model. When the model is run without economic pressure (not shown), assets behave as hypothesized. That is, they positively predict an internal locus of control and negatively predict depression. However, they still positively predict marital conflict. I tested for colinearity between economic pressure and assets, but it did not seem to play a role in these finding.

The results point to a suppressor effect of economic pressure on the relationship between assets and the psychological outcomes (locus of control and depression). Normally, a mediating variable accounts for the variance in the outcome variable that was associated with the independent variable and thus reduces the relationship between the two original variables to zero. With suppressor effects, however, a mediating variable accounts for the primary relationship between the independent variable and the dependent variable. When the primary relationship is accounted for, another relationship between the two variables emerges that may be in the opposite direction. That is, the independent variable has two different sides and one side masks the other.

In support of a suppressor interpretation, assets demonstrate both a positive and negative relationship with the psychological outcomes. In line with prior research, bivariate correlations demonstrate that assets seem to help individuals' mental states (Muntaner et al., 1998; Yadama & Sherraden, 1996). This effect seems to arise from assets protecting individuals from experiencing economic pressure. However, when the variance associated with economic pressure is removed from depression and internal locus of control, assets seem to slightly hurt these psychological states. With suppressor effects, the task becomes uncovering the dual nature of the independent variable that brings about the opposing relationship with the dependent variable when the mediator is added.

The dual nature of assets might exist because they reduce feelings of economic pressure, but also expose couples to the strain of market risk. Market risk is simply the risk of financial loss due to market fluctuation and can affect almost any asset except for certain types of savings accounts. The dual nature of assets might be particularly salient in this sample because the participants with assets were exposed to the market risk of the 1990-1991 recession, which occurred shortly before the participants were interviewed for the second panel of the study. The middle-class saw asset losses during the 1990-1991 recession. Families whose income was between $10,000 and $50,000 had lower median net-worth in 1992 than in 1989 (Kennickell & Starr-McCluer, 1994). Thus, though individuals with assets experienced less economic pressure during the 1990-1991 recession, they also felt the market fluctuations of the recession more keenly than those without assets did. This may have caused asset owners psychological distress beyond economic pressure (e.g., worrying about their bills).

Facing market risk during the recession may also explain the positive relationship between assets and marital conflict intensity. The bivariate correlations show a negative

relationship between assets and conflict intensity. However, when the variance associated with depression and locus of control is removed from conflict intensity, the relationship reverses and assets become slightly predictive of conflict intensity. Seeing their assets decline during a recession may have predisposed couples to resolve their conflicts more intensely than before.

This study is not without limitations. Selection may limit the findings in the first analyses. Some of the factor loadings of the indicator variables of the negative financial events differed across asset and debt groups. However, the extent to which the latent variables are different constructs across the groups is unknown. Further complicating the diagnosis of selection is knowing how much of the differences in indicator loadings arise because of asset and debt differences, or because of differences in unobserved characteristics between the groups. Because selection cannot be ruled out, the findings on the ability for assets and debts to moderate the relationship between negative financial effects and economic pressure must be interpreted cautiously.

A main limitation of the second analysis is that all of the endogenous variables are reported at the second panel, yet some of them are treated causally of other variables. I modeled the reverse relationships (e.g., regressing depression and locus of control on marital conflict) to see if reducing these relationships provided a better fit to the model – they did not. Even though the proposed models represent the best fit, data that participants report simultaneously cannot fully address the temporal requirements of causation.

Another limitation on these findings is the length of time that passed between the panels. Much activity in asset and debt levels, financial events, and marriage processes takes place in five years. However, these panels are too far apart to capture this complexity. Researchers might improve studies involving finances and marriage if they captured independent variables,

processes, and outcomes within months or even weeks of each other.

Despite the limitations of this study, taken together the findings add to the literature by demonstrating that assets and debts play both indirect and direct roles in marriage. The few studies that have included assets and debts have always had their effects work through economic pressure. Like those studies, this study confirmed the ability for assets to decrease economic pressure and debts to increase it. However, it also found direct influences of debts and assets on marital conflict and some indirect consequences of them even after controlling for economic pressure. Debts and assets also moderate the relationship between negative financial events and economic pressure. Finally, assets and debts both predict marital conflict better than total family income (a common covariate in marriage research) does, which is in line with previous findings (Gallighan & Bahr, 1976).

These findings indicate that the role of assets and debts in marriage deserve continued study. Assets and debts likely influence other marital processes such as marital satisfaction and marital commitment. Assets may also share a reciprocal relationship with marital quality such that couples with higher quality marriages may be more willing to invest in joint assets. Growing assets might then in turn increase marital quality because spouses are seeing their joint financial desires being realized and increasing their financial security (Levinger, 1976; Schaninger & Buss, 1986).

Beyond showing that assets and debts do influence marital processes, this study also contributes by analyzing debts and assets concurrently while allowing them to function both independently and jointly – a possibility not tested in prior literature. The first analysis in this study exhausted the possibilities of asset and debt combinations and showed that the effects of debts and assets can be independent of each other. Adequate assets allow couples to avoid

feelings of economic strain when the wife experiences unemployment, regardless of debt levels. Debt seems to bring about economic strain when husbands face employment difficulties, regardless of asset levels. However, assets and debts also work together such that individuals with adequate assets and no debts seem not to experience economic pressure when either spouse has employment problems. Another interesting example of the joint effects of debts and assets is that individuals with inadequate assets and some debt do not seem to face economic pressure when they experience impoverishment.

Further, the findings of the second analysis might directly relate to allowing them to remain independent. If this study had combined debts and assets in a debt-to-asset ratio, the finding that assets can decrease economic pressure, yet increase marital conflict intensity might have remained hidden. In addition, allowing them to remain separate showed that debt increases marital conflict intensity regardless of assets. Since assets and debts can work independently and jointly rather than complementarily, future research should continue experimenting with different methods of measuring and modeling the independent and joint effects of debts and assets.

Finally, this study adds to the literature by showing that assets are not necessarily always helpful and that consumer debts are not always harmful. To be sure, the first analysis shows that the couples who experience the least economic pressure during negative financial events are those with adequate assets and no debt. However, the second analysis seems to indicate that asset owners also face the strain of market risk. During market downturns, those with assets are susceptible to a stress that non-asset owners simply do not face. Further, contrary to the popular financial help literature, debt might help some families during some negative financial events. Assuming debt may enable families to cope during a short-term spell of poverty, for example.

Because debt may actually assist individuals in some instances, and assets may harm marriage in other circumstances, future research might profitably focus on the circumstances under which debts and assets are most likely to help or harm marriage. This study indicated that period effects might govern the relevancy and effects of assets and debt – though the suspected period effect needs verification and replication. The relationship between assets, debts, and marriage may also differ by age or family life period. Assets may be particularly helpful early in marriage since young families are most likely to experience economic pressure when they face negative financial events (Mirowsky & Ross, 1999; Smeeding & Sullivan, 1998). Assets may also smooth marriages for couples who are approaching retirement. Finally, consumer debt may protect individuals who face short-term impoverishment by giving them access to needed goods and cash.

In conclusion, assets and debts seem to play a direct role in marital conflict. Because research has studied assets and debts less than other economic factors, such as income, they remain a viable field of study in marriage research.

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Figure 1: A modification of the family stress model (Conger, et al., 1994; Conger et al., 1999).

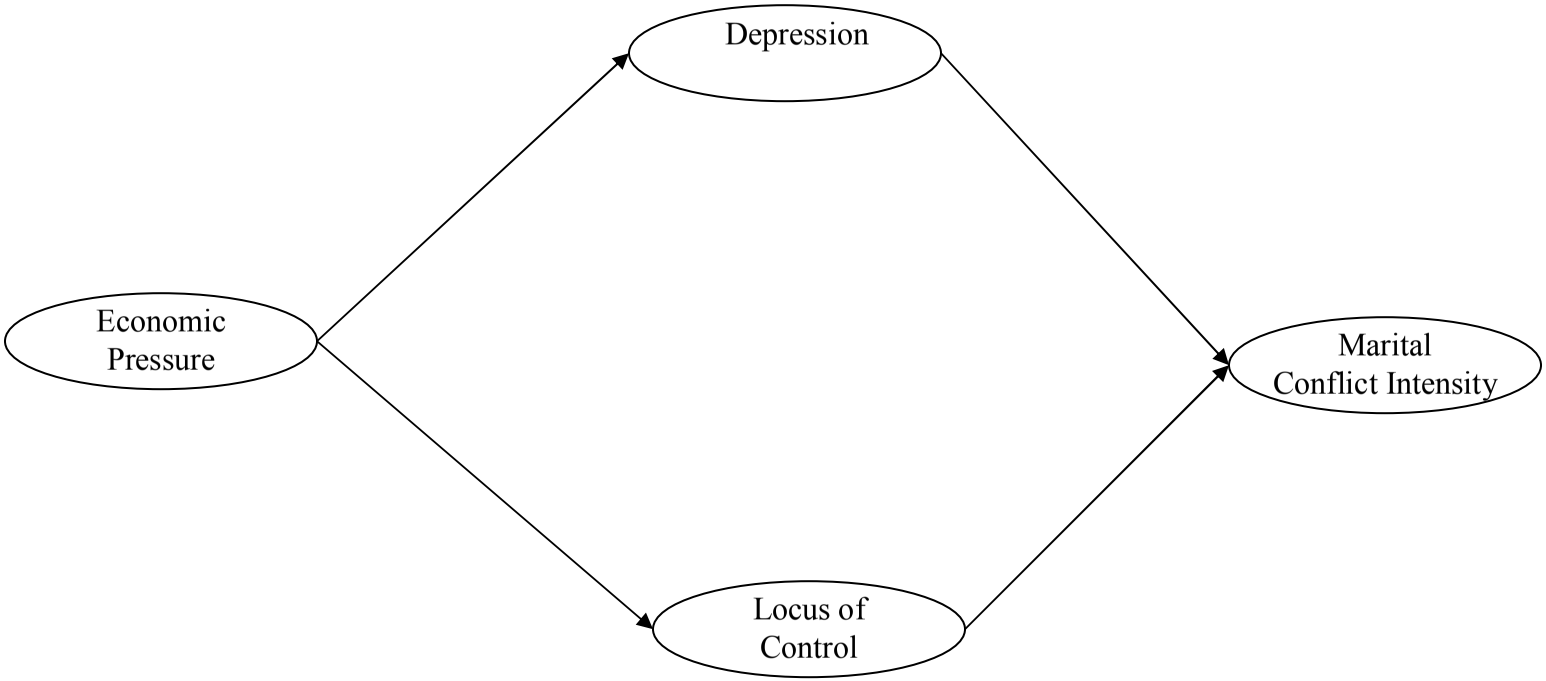
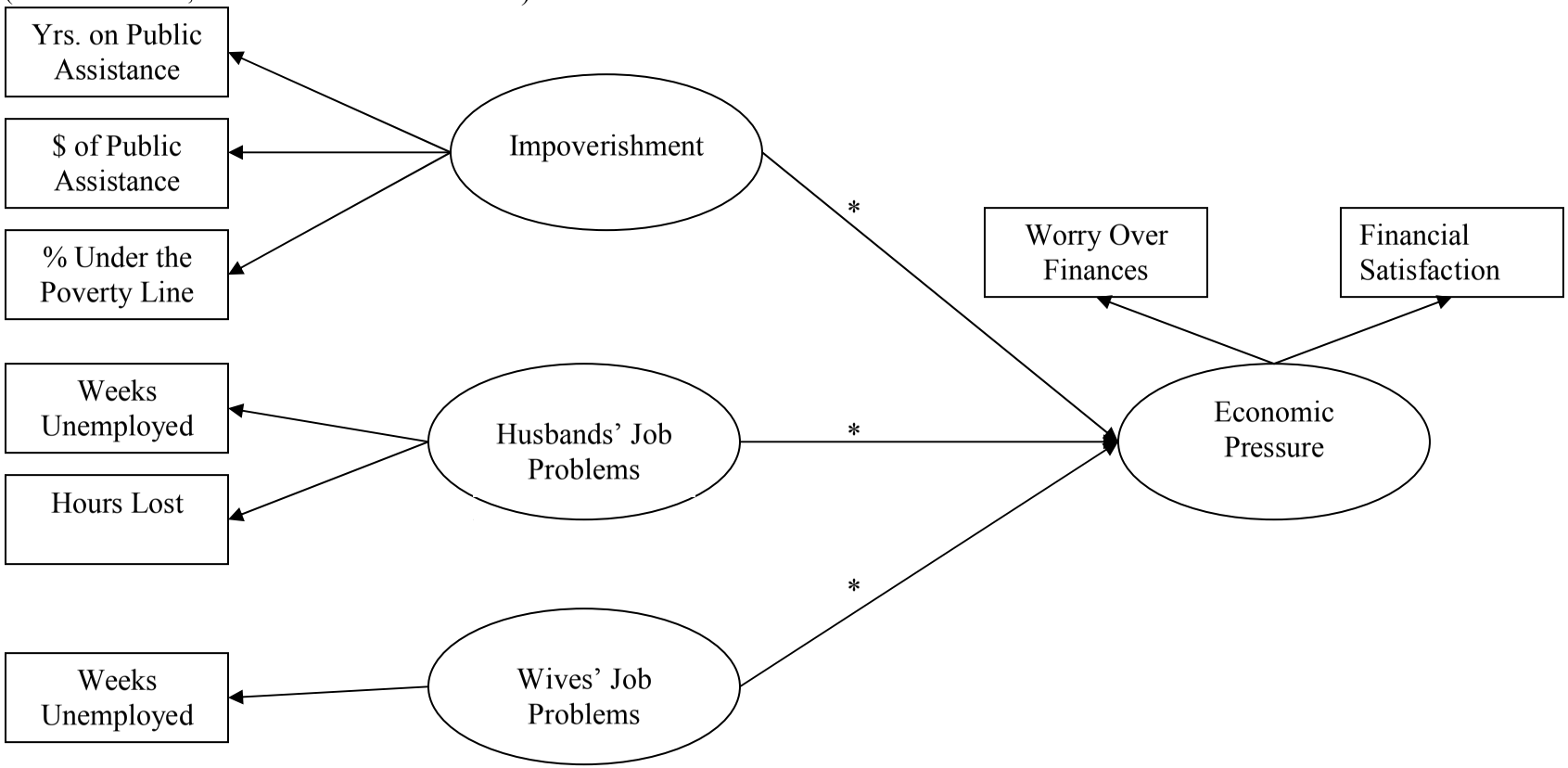


Figure 2: Multi-group Test of the Interaction between Assets or Debts and Negative Financial Events.
(Note: Error terms, and control variables not shown.)



* Paths constrained to be equal in the multi-group test.

Figure 3: Assets and debts in the family stress model.
(Note: Measurement model and control variables not shown.) # = T1 levels of construct controlled.

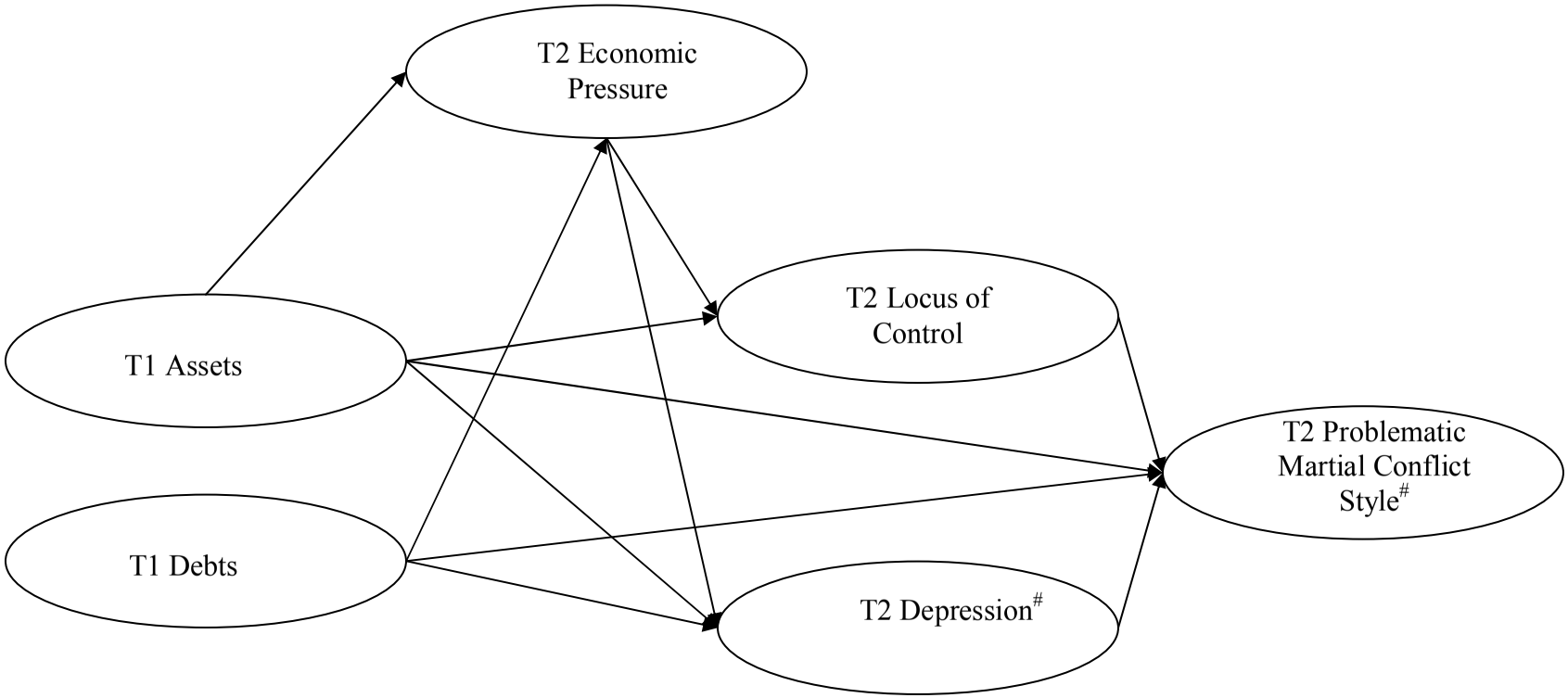


Table 1: Descriptive statistics of selected variables.
(Source: National Survey of Families and Households; Waves 1 and 2, n = 3238).

	Range	% of Participants Reporting Item	Median for those reporting asset/debt or event
Assets			
Savings	0 – 150,000	76%	4,000
Investments	0 – 150,000	40%	4,000
Housing Equity	0 – 996,000	73%	28,000
Real Estate Equity	0 – 3,000,000	19%	17,000
Business Equity	0 – 5,775,000	14%	20,000
Consumer Debt			
Credit Card Debt	0 – 42,000	50%	1,000
Installment Debt	0 – 25,000	17%	800
Past Due Bills	0 – 96,000	13%	500
Negative Financial Events			
% Below the Poverty Line	0 - 99	8%	.58
Number of Yrs. on Public Assistance between Waves	0 – 5	5%	2
Public Assistance Utilized between Waves	0 – 30,000	5%	1,800
Husbands' Weeks Unemployed (Prior Year)	0 – 52	5%	20
# of Hours Husband Lost between Waves	0 – 95	32%	10
Wives' Weeks Unemployed (Prior Year)	0 – 52	7%	25
Demographic Characteristics			
Age	18 – 97	N/A	36.24*
Education	0 – 20	N/A	13.18*
Income	0 – 982,000	N/A	35,000**
# of Children	0 – 11	N/A	1.40*

* Sample Mean ** Sample Median

Table 2: Pearson Product Moment Correlations Between Assets, Debts, Negative Financial Events, and Selected Outcome Variables. (Source: National Survey of Families and Households; Waves 1 and 2, n = 3238).

	1	2	3	4	5	6	7	8	9	10	11
1 Assets											
2 Debts	.05**										
3 % Below the Poverty Line	-.13***	-.08***									
4 Number of Yrs. on Public Assistance	-.20***	-.04*	.19***								
5 $ Public Assistance Utilized	-.15***	N/S	.11***	.42***							
6 Husbands' Weeks Unemployed (Prior Year)	-.09***	N/S	.07***	.14***	.08***						
7 # of Hours Husband Lost	.04*	N/S	N/S	.05**	.06***	.14***					
8 Wives' Weeks Unemployed (Prior Year)	N/S	N/S	N/S	.06**	N/S	N/S	N/S				
9 Economic Pressure	-.19***	.16***	.06**	.14***	.1***	.1***	.07***	.06***			
10 Depression	-.15***	.05*	.04*	.15***	.08***	.05**	N/S	N/S	.34***		
11 Internal Locus of Control	.11***	N/S	-.04*	-.08***	-.05**	-.07***	N/S	N/S	-.30***	-.38***	
12 Marital Conflict Style	-.08***	.06***	N/S	.05**	N/S	N/S	N/S	N/S	.21***	.22***	-.22***

* $p<.05$, ** $p<.01$, *** $p<.001$

Table 3: Path coefficient differences between asset/debt groups. (see Figure 2 for the model).
Difference test between fit of the unconstrained and constrained model: χ^2 (9, n = 3238) = 19.194 $p < .05$
Unconstrained Model Fit: χ^2 (164, n =3238) = 426.715 $p < .001$, CFI = .92, RMSEA = .02
Note: Standardized Path Coefficients

Group	Adequate Assets/ No Debt	Adequate Assets/ Debt	Inadequate Assets/ No Debt	Inadequate Assets/ Debt
Impoverishment	.14*	.07*	.27***	N/S
Husbands' Employment Problems	N/S	.13*	N/S	.15**
Wives' Unemployment	N/S	N/S	.12*	.10*

(Source: National Survey of Families and Households, Waves 1 & 2). * p<.05, ** p<.01, *** p<.001

Table 4: Indicator factor loading differences across asset/debt groups.
Difference test between fit of the unconstrained and constrained model: χ^2 (12, n = 3238) = 24.273 $p < .05$
Unconstrained Model Fit: χ^2 (164, n =3238) = 426.715 $p < .001$, CFI = .92, RMSEA = .02
Note: Standardized Path Coefficients

Group	Adequate Assets/ No Debt	Adequate Assets/ Debt	Inadequate Assets/ No Debt	Inadequate Assets/ Debt
$ Public Assistance Utilized	.36**	.54***	.71***	.43***
Percent Below Poverty	.12*	.10**	.37***	.34***
Husbands Hour Loss	.27**	.61***	N/S	N/S

(Source: National Survey of Families and Households, Waves 1 & 2). * p<.05, ** p<.01, *** p<.001

Figure 6: Indirect and Direct Effects of Assets and Debts in the Family Stress Model
Model Fit: χ^2 (1072, n =3238) = 6923.096 p < .001, CFI = .90, RMSEA = .04
(Note: Measurement model, and control variables not shown. Standardized path coefficients).
(Source: National Survey of Families and Households, Waves 1 & 2). * p<.05, ** p<.01, *** p<.001; # = T1 levels of construct controlled.