

A Cross-Generational Analysis of Debt Accumulation Based on Panel Data

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Abstract

The aim of this project is to expand the body of literature surrounding financial socialization which is the “process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors that contribute to the financial viability and well-being of the individual” (Danes, 1994, p. 128). The Panel Study of Income Dynamics allows for linking parents’ information to their children’s information supporting cross-generational analysis of financial behaviors and outcomes. Linking the financial outcomes of children between the ages of 30 and 39 years in 2005 who were children of heads of households in 1984 provided a means of examining whether factors associated with the parents’ financial outcomes in relation to the accumulation of debt were related to the probability of the children accumulating debt at similar stages of life. Research has established that historically low-income individuals and minorities most often experienced credit constraints (Lyons, 2005). Due to previous credit constraints, analyses were run based on race (Black or White). Results of the logistic regressions indicated that the likelihood of holding non-collateralized debt was significantly related to whether or not the parental generation held non-collateralized debt for Blacks and Whites.

References:

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