

“Robbing Peter to Pay Paul”: Economic and Cultural Explanations for How Lower-Income Families Manage Debt

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Abstract

This article builds upon classic economic perspectives of financial behavior by applying the narrative identity perspective of cultural sociology to explain how lower-income families respond to indebtedness. Drawing on in-depth qualitative interviews with 194 lower-income household heads, we show that debt management strategies are influenced by a desire to promote a financially responsible, self-sufficient social identity. Families are reluctant to ask for assistance when faced with economic hardship because it undermines this identity. Because the need to pay on debts is less acute than the need to pay for regular monthly expenses like rent or groceries, debts receive a lower priority in the monthly budget and families typically juggle their debts in private rather than turning to social networks for assistance. In some cases, however, debts take on special meanings and are handled differently. Respondents prioritize debts when they perceive payment as affirming a self-sufficient or upwardly mobile identity, but they reject and ignore debts they view as unfair or unjust. Because the private coping strategies families employ trap them in costly cycles of indebtedness and hinder future mobility prospects, debt management strategies are consequential for long-term financial well-being.

financial behavior, debt, economic mobility, economic coping strategies, qualitative methods

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