

## The Fragile Middle Class: Americans in Debt

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In 1989, these authors published *As We Forgive Our Debtors: Bankruptcy and Consumer Credit in America*, a study of bankruptcy filers in 1981. That project became known as the Consumer Bankruptcy Project. This book, informally known as Consumer Bankruptcy Project II, reports on research conducted in 1991. For this study, the authors added a questionnaire to collect demographic data as well as information about why the respondents filed for bankruptcy. Adding the questionnaire enabled the researchers to compare the debtors with the general population. The book consists of eight chapters and two appendices. The first appendix describes the study design, data collection, and data analysis. The second appendix provides information about other recent studies of bankruptcy. In addition, there are extensive references notes for each chapter.

In Phase II, the authors expanded the study to cases filed in 1991 in sixteen districts across five states: all of the districts in Illinois, Pennsylvania, Texas, and California and two of the three districts in Tennessee. Thus, they studied the same ten districts profiled in Phase I and added six districts in two states. With the permission of bankruptcy judges, court clerks or trustees distributed questionnaires to debtors who filed for bankruptcy during the first two quarters of calendar year 1991. The questionnaire was provided in both English and Spanish. The authors received about 59,000 questionnaires. Based on an estimated 118,040 nonbusiness filings in these districts, their overall response rate was about 49.9%. The five states in the study accounted for 31% of all bankruptcies in the United States in 1991. To have a reasonable number of cases for analysis, the authors randomly selected 150 cases from each district to analyze in their final sample. With 150 case in each district, they had a sample of about 2,400 cases.

Questions in the survey were similar to questions used by the Census Bureau. They included: gender, age, marital status, change in marital status, education, citizenship, disruption in work history, and ethnicity. A final question

was open-ended and asked debtors to explain why they had filed for bankruptcy. The responses ranged from terse replies such as "too much debt, too little income" to complex stories. Although each chapter in the book is an in-depth discussion of a type of problem faced by filers, the authors believe that overall the bankruptcy filers were (1) in desperate financial shape, and (2) repeatedly identified similar problems to explain their circumstances. The problems were related to one or more of these topics: job and income loss, sickness and injury, divorce, homeownership, and too much credit.

As one can assume from the title, the authors have a basic tenet: that the American middle class is in trouble and that the increase in consumer debt is a prominent cause. Chapter Four on Credit Cards and Chapter 8 on The Middle Class in Debt are "must read" chapters for all financial educators and counselors. Is the proposed bankruptcy legislation a solution? The authors don't think so pointing out that bankruptcy is the "treatment," not the "disease." The authors conclude by saying that there is no easy fix, but I believe their book is an important contribution to understanding the problem. I highly recommend the book to educators, counselors, researchers, and policy makers. If you have already read *As We Forgive Our Debtors* (Sullivan, Warren & Westbrook, 1989) this will be a fascinating sequel. If you haven't read the first book, you may want to because it will increase your understanding of Consumer Bankruptcy Project II.

### References

Sullivan, T. A., Warren, E. & Westbrook, J. L. (1989). *As we forgive our debtors: Bankruptcy and consumer credit in America*. New York: Oxford University Press.

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