What, me worry? Young adults get self-esteem boost from debt

June 6 2011, by Jeff Grabmeier

Instead of feeling stressed by the money they owe, many young adults actually feel empowered by their credit card and education debts, according to a new nationwide study.

Researchers found that the more credit card and college loan debt held by young adults aged 18 to 27, the higher their self-esteem and the more they felt like they were in control of their lives. The effect was strongest among those in the lowest economic class.

Only the oldest of those studied – those aged 28 to 34 – began showing signs of stress about the money they owed.

"Debt can be a good thing for young people – it can help them achieve goals that they couldn't otherwise, like a college education," said Rachel Dwyer, lead author of the study and assistant professor of sociology at Ohio State University.

But the results offer some worrying signs about how many young people view debt, she added.

"Debt can be a positive resource for young adults, but it comes with some significant dangers," Dwyer said.

"Young people seem to view debt mostly in just positive terms rather than as a potential burden."

Dwyer conducted the study with Randy Hodson, professor of sociology at Ohio State, and Laura McCloud, an Ohio State graduate now at Pacific Lutheran University.

The findings appear in a recent issue of the journal *Social Science Research*.

The study involved 3,079 young adults who participated in the National Longitudinal Survey of Youth 1979 – Young Adults sample. The NLSY interviews the same nationally representative group of Americans every two years. It is conducted by Ohio State's Center for Human Resource Research on behalf of the U.S. Bureau of Labor Statistics.

For this study, the researchers examined data on two types of debt: loans taken out to pay for college, and total credit-card debt. They looked at how both forms of debt were related to people's self-esteem and sense of mastery – their belief that they were in control of their life, and that they had the ability to achieve their goals.

Researchers have had two competing views of how debt might affect people's self-concept, Dwyer said. Some have said debt should have positive effects because it helps people invest in their future. Others have said credit should have negative effects because it allows people to spend more money than they make, thereby risking their future.

"We thought educational debt might be seen as a positive because it is an investment in their future, while credit card debt could be viewed more negatively," Dwyer said.

"Surprisingly, though, we found that both kinds of debt had positive effects for young people. It didn't matter the type of debt, it increased their self-esteem and sense of mastery."

Some young people may be using credit card debt to help finance their college education – for items like textbooks -- which is why they may see it as a positive, she said. But there is no way to know that from the data.

"Obviously, they are probably using credit cards for multiple purposes. Along with education spending, they could be using credit cards to pay for non-essential items. They may feel good about their debt only because it allows them to buy the things they want without having to delay gratification."

But how debt affected young people depended on what other financial resources they had available, the study found.

Results showed that those in the bottom 25 percent in total family income got the largest boost from holding debt – the more debt they held, both education and credit card, the bigger the positive impact on their self-esteem and mastery.

Those in the middle class didn't see any impact on their self-esteem and mastery by holding educational debt, perhaps because it is so common among their peers that it is seen as normal. But they did see boosts from holding credit-card debt – the more debt, the more positive effects.

On the other hand, the study found that young adults who came from the most affluent families received no boost at all from holding debt.

"The wealthiest young people have the most resources and options available to them, so debt is not an issue for them," Dwyer said.

"The groups that most need the debt – the middle and lower classes – get the most benefits to their self-concept, but may also face the greatest difficulties in paying off what they owe."

The oldest people in the study, those over age 28, were just starting to feel the stress of their debt, according to Dwyer.

For these young adults, having education debt is still associated with higher self-esteem and mastery, compared to those who don't have any such debt. That suggests they still see some benefits to investing in a college degree.

But the amount of education debt mattered – having higher levels of debt actually reduced their sense of self-esteem and mastery.

"By age 28, they may be realizing that they overestimated how much money they were going to earn in their jobs. When they took out the loans, they may have thought they would pay off their debts easily, and it is turning out that it is not as easy as they had hoped," she said.

Overall, Dwyer said the results suggest that debt can be an important resource for young adults that allow them to make investments that improve their self-concept. But the results may also have troubling implications for the future of young people.

"Debt may make young people feel better about themselves in the short-term, but that doesn't mean it won't have negative consequences in the long term," she said.

"We found that the positive effects may wear off over time, but they still have to pay the bills. The question is whether they will be able to. There needs to be additional research to answer this question."

Provided by The Ohio State University

25 April 2024 from https://phys.org/news/2011-06-young-adults-self-esteem-boost-debt.html