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***Families, financial strain, and the economic crisis:  
Evidence from the USA Pilot Project and the FIM study***

Anne H. Gauthier, Department of Sociology, University of Calgary  
Frank F. Furstenberg Jr., Department of Sociology, University of Pennsylvania  
Shelley Pacholok, Department of Sociology, University of British Columbia

ABSTRACT

The economic crisis of 2008-9 has been described by some as the greatest depression since the 1930s. Its impact was deep, affecting not only low-income families but also leaving deep scars among the middle- class. Yet, even before the crisis, American families had been feeling financially strained and increasingly vulnerable. In this paper, we examine the financial strain experienced by families during the crisis using two data sources: the USA Pilot Survey and the Families in the Middle study. We ask three main questions: (1) How much financial strain did families with children experience during the crisis? (2) What was the nature of the financial difficulties experienced by families? And (3) How did families respond to their financial strain?

Our results reveal the widespread experience of financial strain among American families with two-thirds reporting that they managed financially with difficulty or great difficulty. Furthermore, about half of all families reported that their financial situation worsened in 2009. The nature of this financial strain, and the responses to it, were however found to vary widely among families ranging from having to borrow money and postpone credit card bills to cutting down on expenditures or skipping needed prescription drugs. Results further suggest that many families, despite experiencing financial strain, attempted to protect their children and to shield them from the families' economic woes.