Family Status

During 1963, in Genesee County, Michigan, 97 percent of all the petitioners in bankruptcy were male.[4] This does not mean that bankruptcy is strictly a man's problem. Ninety-four percent of these individuals were married. Thus, most bankruptcies represent the financial failure of a family unit rather than merely an individual. Interviews with petitioners indicated that, in the typical case, the financial trouble may well be the result of both the husband's and wife's lack of frugality. Most of the family's daily purchases are made by the wife while both the wife and husband participate in the purchase of big-ticket durable goods. The husband's bankruptcy reflects the family's financial failure.

There is a significant difference in the marital status of individuals going into bankruptcy and the marital status of members of the same community. Ninety-four per cent of the bankrupts are married as compared to 84 percent of the community. Interpretation of this difference should be tempered by the credit grantor's extreme caution in extending credit to single men, especially younger men (most bankrupts are less than 30 years old). This attitude may mean that young single men are subjected to higher credit standards and this leads to a lower rate of bankruptcy for them.

There are two feasible explanations of the greater incidence of bankruptcy among the married than among the unmarried segments of the community. First, as an individual begins married life, the need for additional funds arises, but the marriage does not change his occupational level or income level. Thus, a newly married couple must reduce their respective standards of living,[5] or use credit in anticipation of higher income. This may be the beginning of financial trouble which is culminated in bankruptcy.

Second, marital discord may be another factor leading to the higher bankruptcy rate among married persons. Three per cent of both groups, the bankrupts and the community, were divorced at time of bankruptcy. However, 12 per cent of the bankrupts were separated, as compared with one per cent of the community. Nevertheless, there is always a question as to whether the marital problems caused the financial difficulty or whether the financial difficulty caused the marital problem. A check of a limited sample indicates that many of the separations were of long standing. To the extent that this prevails, the significance of marital discord is reduced.

Not only do most bankruptcies involve a family, they involve a family that is large in comparison to the average family of the community. The average bankrupt family has one more person than the average family in the community, 4.9 versus 3.8 members respectively (Table 1). However, the difference is greater than indicated by the averages. Twenty-three per cent of the bankrupt families had seven or more members while only seven per cent of all families were that large. The nature of the difference in family size is more strikingly illustrated by considering the percentage of families with five or more members. Fifty percent of the bankrupts had families of five or more while only 29 per cent of all families were that large.

The individual representing the family in bankruptcy is a relatively young man. His median age is 30.2 years versus 40 years for the general population (Table 2). There is a high concentration of bankrupts in the 25–34 age category. Sixty per cent of the bankrupts are in this group as compared to 25 per cent of the general population. In the ages of 40 and over, there are fewer bankrupts than would be expected, considering the age distribution of the community.

Existence of more young bankrupts and fewer older bankrupts than would

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[4] All data on the characteristics of the bankrupt are based on a subsample of, n=172, unless otherwise indicated. See appendix for estimates of statistical error.

[5] However, employment of the wife may delay the adjustment.