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Evaluation of the Financial Threat Scale (FTS) in four European, non-student samples

Zdravko Marjanovic[a,*], Esther R. Greenglass[b], Lisa Fiksenbaum[b], Hans De Witte[c,d], Francisco Garcia-Santos[e], Petra Buchwald[f], José María Peiró[g], Miguel A. Mañas[h]

[a] Department of Psychology, Thompson Rivers University, 900 McGill Road, Kamloops, British Columbia V2C 0C8, Canada
[b] Department of Psychology, York University
[c] Department of Psychology, KU Leuven
[d] Department of Psychology, North-West University, Vanderbijlpark Campus
[e] Cognition and Context Unit, ISPA University Institute
[f] School of Education, University of Wuppertal
[g] Department of Psychology, University of Valencia
[h] Department of Psychology, University of Almería

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ABSTRACT

The *Financial Threat Scale* (FTS) was designed to assess levels of fear, uncertainty, and preoccupation about the stability and security of one's finances. In previous research with Canadian university students, it was shown that the FTS was a psychometrically sound measure, associated with failing personal financial conditions, threat-related personality characteristics, and depreciated psychological health. The present investigation further examines the FTS in a diverse set of non-student European samples. Data were collected in four countries using a self-report questionnaire which included measures of ones' financial situation, personality, and psychological health. Results were highly similar to the findings of the previous study. The FTS is unidimensional, reliable, and its validity was supported by moderate statistical relations with variables such as job insecurity, self-esteem, and emotional exhaustion. Importantly, financial threat was higher in countries that fared poorly in the recent financial crisis than countries that fared well, and it mediated the relation between economic hardship and psychological well-being. Implications for researchers are discussed.

1. Introduction

The ongoing global economic crisis has had a hugely negative impact on the public's psychological health and well-being. From heightened rates of suicide (Stuckler et al., 2011), alcohol consumption (Vijayasiri, Richman, and Rospenda, 2012), and anxiety (Ayers et al., 2012), to diminished levels of mood (Lansdall-Welfare, Lampos, and Cristianini, 2012), reduced functional health (French and Davalos, 2011), and decreased marital satisfaction (Dew and Xiao, 2013), a whole host of negative psychosocial consequences have been attributed to the latest recession. Traditionally, social scientists in the area have looked at situational stressors and strains, such as loss of income, job loss, and loss of resources as the main precipitating factors of psychological health issues that arise during economic downturns. These researchers have accumulated a literature showing that as economic conditions deteriorate, so do levels of psychological outcomes (Ayers et al., 2012; Diener et al., 2010; Houdmont, Kerr, and Addley, 2012). Recent attention, however, has been devoted to examining the psychological mechanisms that may mediate the relation between economic hardship and psychological health (e.g., Ünal-Karagüven, 2009). *Perceived financial threat*—a form of stress appraisal—is one such mechanism that may bridge the gap between these well documented variables (Marjanovic et al., 2013). Defined as an overall fear, uncertainty, and preoccupation about the stability and security of one's finances, it is thought that as personal financial situations deteriorate (e.g., loss of income, increased debt), so do individuals' perceptions about the stability and security of their financial resources. Given that people's ability to provide for themselves and their loved ones is so dependent on maintaining a positive balance between income and expenses, any potential that upsets this balance can be considered a grave threat.

In line with the transactional model of stress (Lazarus and Folkman, 1984), this primary appraisal of the harmfulness of a threat is followed by a secondary appraisal of one's ability to cope with the threat's consequences. During economic downturns, an individual's ability to cope with financial threats, such as losing one's job, is

* Corresponding author. Tel.: +1 2502997118.
E-mail address: marjanxrk@gmail.com, zmarjanovic@tru.ca (Z. Marjanovic).

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seriously diminished as coping strategies (e.g., finding new employment) are constrained. As a person struggles to maintain their lifestyle in a depressed, uncertain economy, they may feel pressured to deplete their savings, cut expenses, and accumulate debt in order to make ends meet, all of which make ongoing appraisals of their circumstances more stressful. Research shows that stressors perceived to be both threatening and difficult to cope with lead to the greatest amounts of psychological and physical harm (Dickerson and Kemeny, 2004; Chrystal and Folkman, 1997). Poverty is one such condition that is simultaneously related to increased stress, as well as impaired psychological functioning and behavior (Haushofer and Fehr, 2014). Interestingly, the threatening stressor does not even have to be real; the mere thought of one is enough to cause psychological and behavior reactions. For example, in a recent experiment, Wohl, Branscombe, and Lister (2014) showed that a threatening forecast of personal financial struggles was enough to compel participants to engage in maladaptive gambling behavior compared to an unthreatened control group. Ironically, maladaptive behaviors such as these, brought on by financial threats, may make it more difficult to escape poverty.

1.1. Measuring perceived financial threat

As part of a larger investigation about psychological reactions to the economic downturn (see Greenglass, Marjanovic and Fiksenbaum, 2013), Marjanovic and colleagues (2013) developed a brief scale to measure perceived financial threat. The *Financial Threat Scale* (FTS) consists of five items that measure how fearful, uncertain, and preoccupied responders are about the safety and security of their current financial situations. In that investigation, the FTS was evaluated in two Canadian student samples enrolled in psychology and business programs. Given that the recession has disproportionately affected the youth with diminished employment rates and prospects for jobs, this seemed like a sensible group to begin with (Bell and Blanchflower, 2011).

The focus of the 2013 investigation was the FTS' relations with psychological health variables associated with economic downturns. These were depression, anxiety, well-being, and mood. Additionally, we examined the FTS' relations to typical situational predictors of psychological health outcomes (e.g., economic hardship, income change) as well as personality correlates (e.g., trait worry, general self-efficacy). Results of that study showed the FTS to have good psychometric properties across samples and good validity such that it was sensibly correlated with all three sets of variables. Participants with high FTS scores reported deteriorated economic situations (e.g., suffering recent income loss), personality traits associated with distress (e.g., high trait worry), and poor psychological health (e.g., depression). These data showed that the FTS was indeed related to both economically driven situational factors and psychological outcomes consistent with our meditation hypothesis. Importantly, the FTS was the strongest predictor of psychological health in both samples, and accounted for substantial amounts of unique variance in psychological health over-and-above the situational and personality predictors. That is, the FTS was not redundant with these established predictors of psychological health.

2. The present investigation

The purpose of this investigation was to replicate and extend upon the findings of Marjanovic et al. (2013). Our threefold plan was to: (1) evaluate the FTS' psychometric properties across a more diverse set of community samples; (2) examine the FTS' relations with additional situational, personality, and psychological health measures; and (3) test the mediation hypothesis that heightened financial threat comes between situational deterioration and diminished mental health. First among these, we aimed to replicate our findings in more mature and diverse, non-student samples. For these reasons, we chose to evaluate the FTS using community samples of two European countries that fared well during the economic crisis (Belgium and Germany) and two European countries that fared comparatively poorly (Portugal and Spain) (Economist, 2014; Leschke and Watt, 2010). We speculated that because financial threat seems to be a widely experienced phenomenon, its psychometric qualities and relations with other variables should be similar across disparate samples. However, reflecting macroeconomic forces, participant FTS scores should be lower in the countries that fared well in the downturn than those that did poorly.

Table 1
Variables of interest studied in Marjanovic et al. (2013) and the present investigation.

Variable type	Investigation	
	2013	Present investigation
Situational	Economic hardship Income change *Financial well-being	Economic hardship Income change **Job insecurity
Personality	Worry Self-efficacy *Rumination	Worry Self-efficacy **Self-esteem
Psychological health	Psychological well-being *Depression *Anxiety *Mood disturbance	Psychological well-being **Emotional exhaustion – –

Note. * = Not presently studied; ** = Not previously studied.

The second part of our plan involved replicating the correlational findings of Marjanovic et al. (2013), and further exploring the FTS' nomological network with its relations to additional conceptually important variables (see Table 1 for a list of all variables). Firstly, whereas in the 2013 study we showed that reporting high levels of financial threat was related to suffering recent economic hardships and negative income change, we wished to expand upon these relationships by including another situational variable: job insecurity. Defined as a perceived likelihood and concern that one will soon lose one's job, job insecurity has been explored in a variety of organizational settings, in cross-sectional and longitudinal research (Burgard, Brand, and House, 2009; De Witte, 1999; Sverke, Hellgren, and Näswall, 2002). Research shows that as economic downturns typically have a chilling effect on a nation's employment statistics (e.g., raising unemployment rates, lowering demands for labor), which in turn increase levels of job insecurity (Ellonen and Nätti, 2013), job insecurity generates acute and chronic stress reactions that negatively affect both psychological and physiological health (De Witte, 1999; Sora, Caballer, and Peiró, 2010). As the recent economic downturn has led to staggering increases in rates of unemployment and job loss, examining job insecurity as another correlate of financial threat seemed sensible.

Secondly, although the main precipitant of financial threat centers on situational factors, there is sufficient evidence from the personality literature to suggest that certain individuals are more prone to experiencing financial threat than others (Carver and Scheier, 1998). Marjanovic et al. (2013) found, for example, that participants with high levels of trait worry and low self-efficacy were especially vulnerable to experiencing financial threat. In this study we wished to replicate these findings, but also examine the FTS' relation to another ubiquitous personality variable: *self-esteem*. Defined as a general sense of self-worth and positivity toward the self, researchers have compiled a large literature which states that, in general, individuals with high self-esteem fare better in the face of adversity than those with low self-esteem, suffering for example, less anxiety, physiological arousal, and emotional distress (Brown, 2010; Rector and Roger, 1997; Pyszczynski et al., 2004). Thus, in terms of spiraling economic conditions, we expected that high levels of self-esteem would be related to low levels of financial threat, and, in turn, better psychological health.