

The Brookings Institution

Metropolitan Policy Program

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The Price Is Wrong: *Getting the Market Right for Working Families in Philadelphia*

A Breakfast Briefing with Brookings

April 4, 2005



Project Overview

We were asked by the Annie E. Casey Foundation to:

→ **Quantify prices** of everyday goods and services in one metropolitan area

→ **Compare prices** across income groups and different places through out this area

→ **Establish a state and local agenda** for reducing prices



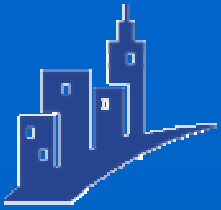
Project Overview

We selected Philadelphia because there is:

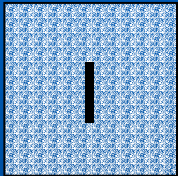
→ **Already some recognition** of this issue

→ **A dense network** of scholars, practitioners, and policymakers

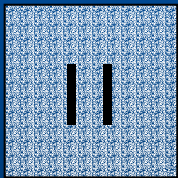
→ **A receptive administration** at both the state and local level



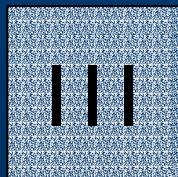
OUR MAJOR FINDINGS



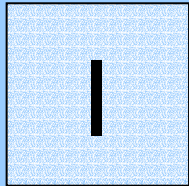
Low-income working families pay higher prices for a wide range of goods and services



These higher prices reflect a cycle of financial insecurity

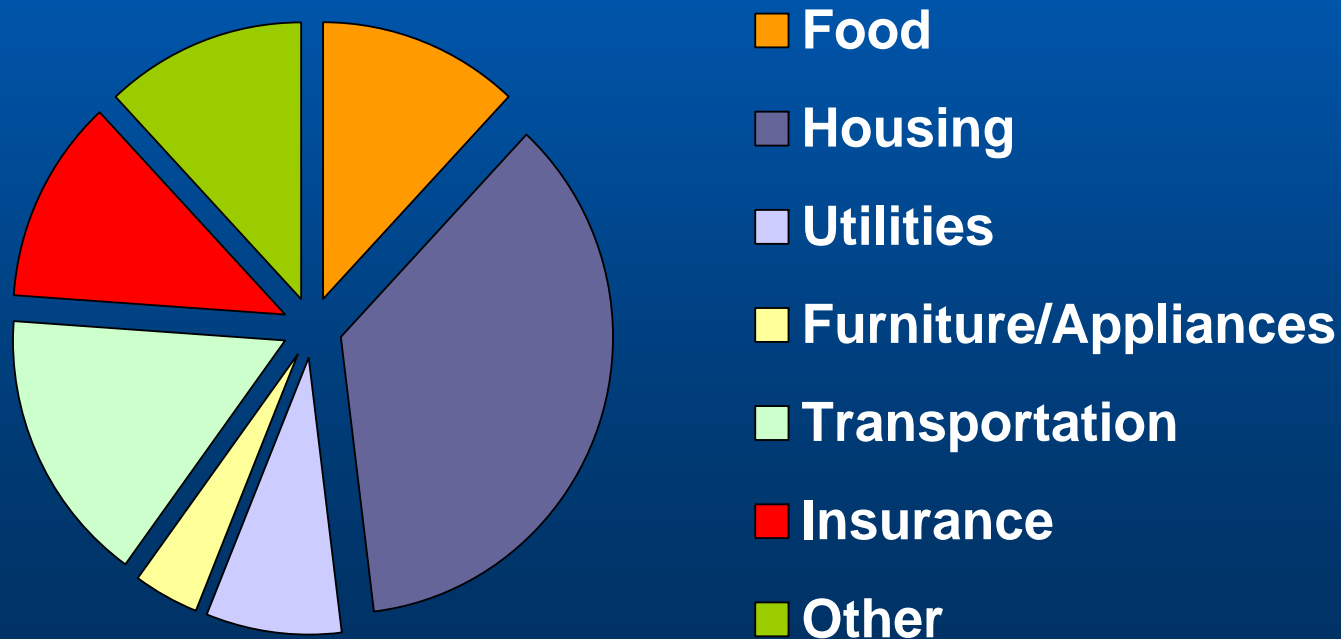


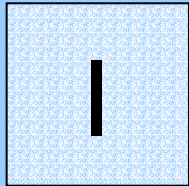
There are major opportunities to lower prices through state and local reform and market innovation



Low-income working families pay higher prices for a wide range of goods and services

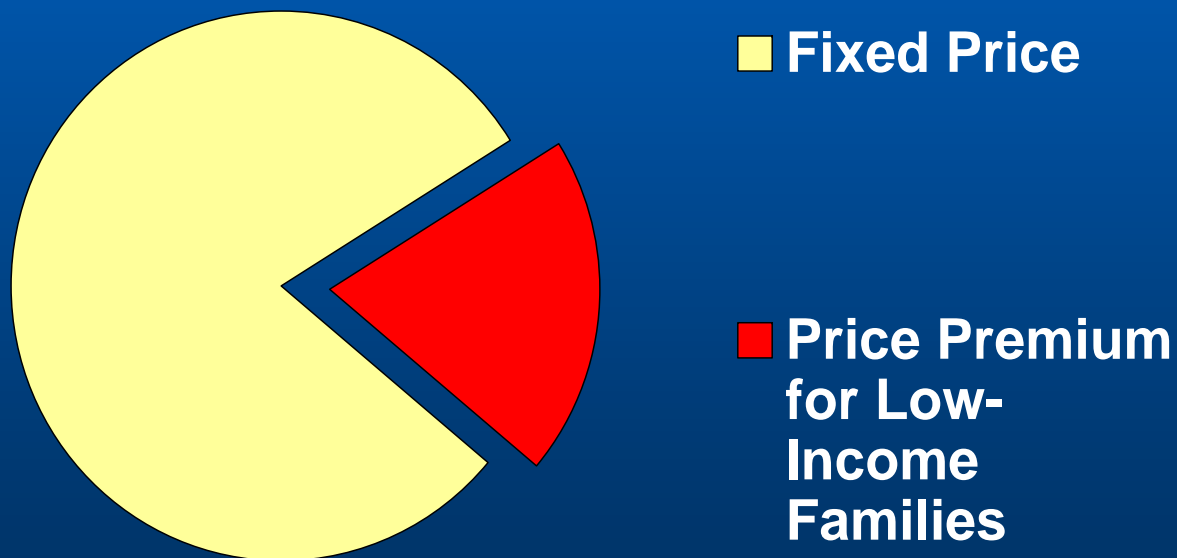
We started by looking at the **entire family budget and the prices charged for all of the necessities** in this budget

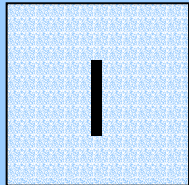




Low-income working families pay higher prices for a wide range of goods and services

We found that **low-income working families pay higher prices** than other households for nearly every basic necessity

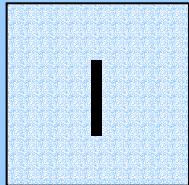




Low-income working families pay higher prices for a wide range of goods and services

These higher prices can add up to hundreds, even thousands, of dollars in extra annual costs for low-income working families.

- \$100s more to buy the same car
- \$100s more to borrow the same amount of money for an auto loan
- \$100s, perhaps \$1,000s more to insure the same car and driver
- More to buy food in their neighborhood
- \$100s more to access the same amount of money
- \$100s more to borrow the same short-term loan amount
- \$100s more to establish the same type of utility service
- \$100s more to borrow the same amount of money for a home loan
- \$100s more to insure the same value of a home
- \$100s more to buy the same appliances and furniture



Low-income working families pay higher prices for a wide range of goods and services

What's the evidence? Here are five examples from the report

1. Car Prices
2. Car Loans
3. Car Insurance
4. Gasoline
5. Establishing Utility Service
6. Energy Costs
7. Grocery Food
8. Accessing Money
9. Short-Term Loans
10. Home Loans
11. Home Insurance
12. Buying Furniture
13. Paying Taxes



1. Auto Insurance



2. Auto Loans



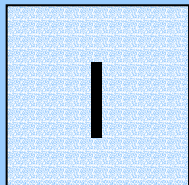
3. Short Term Loans



4. Grocery Prices

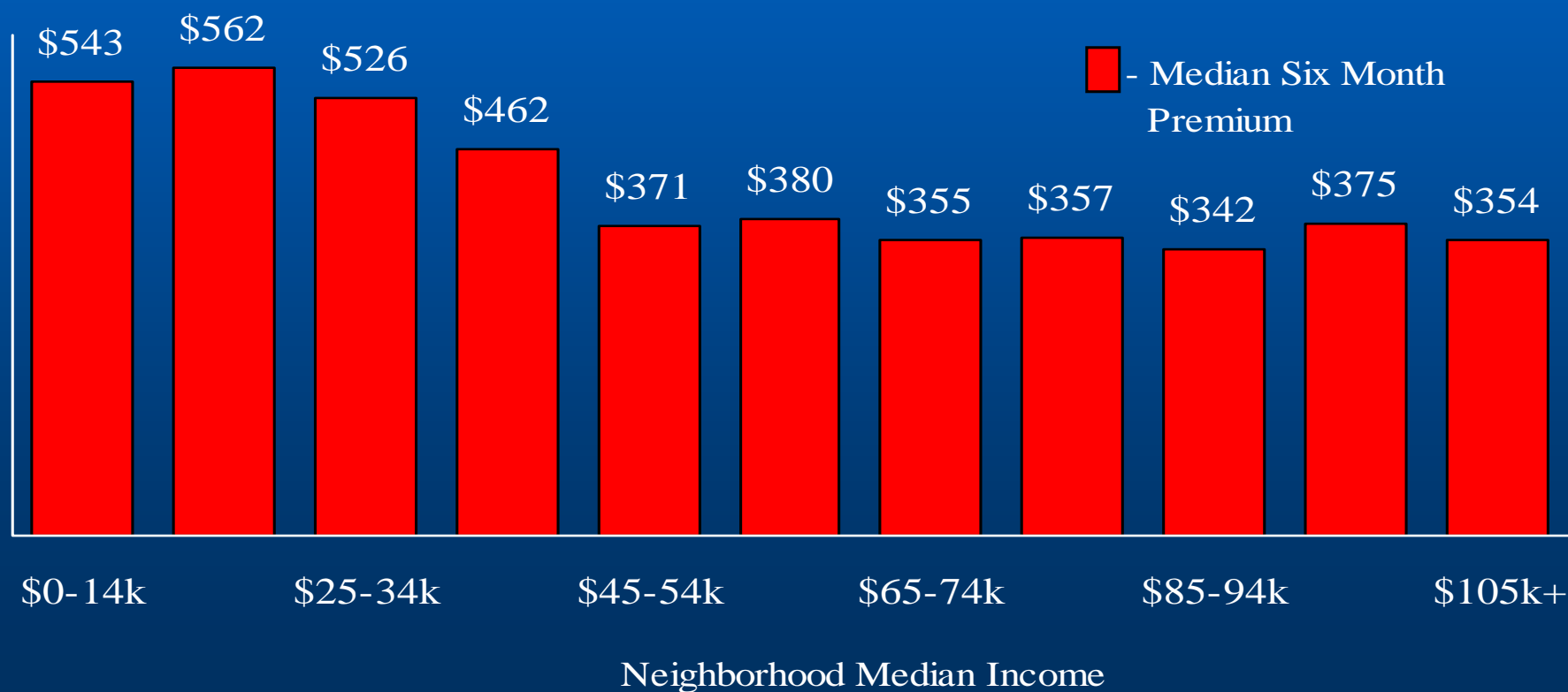


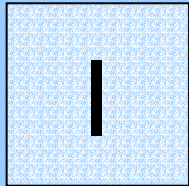
5. Home Gas



Low-income working families pay higher prices for a wide range of goods and services

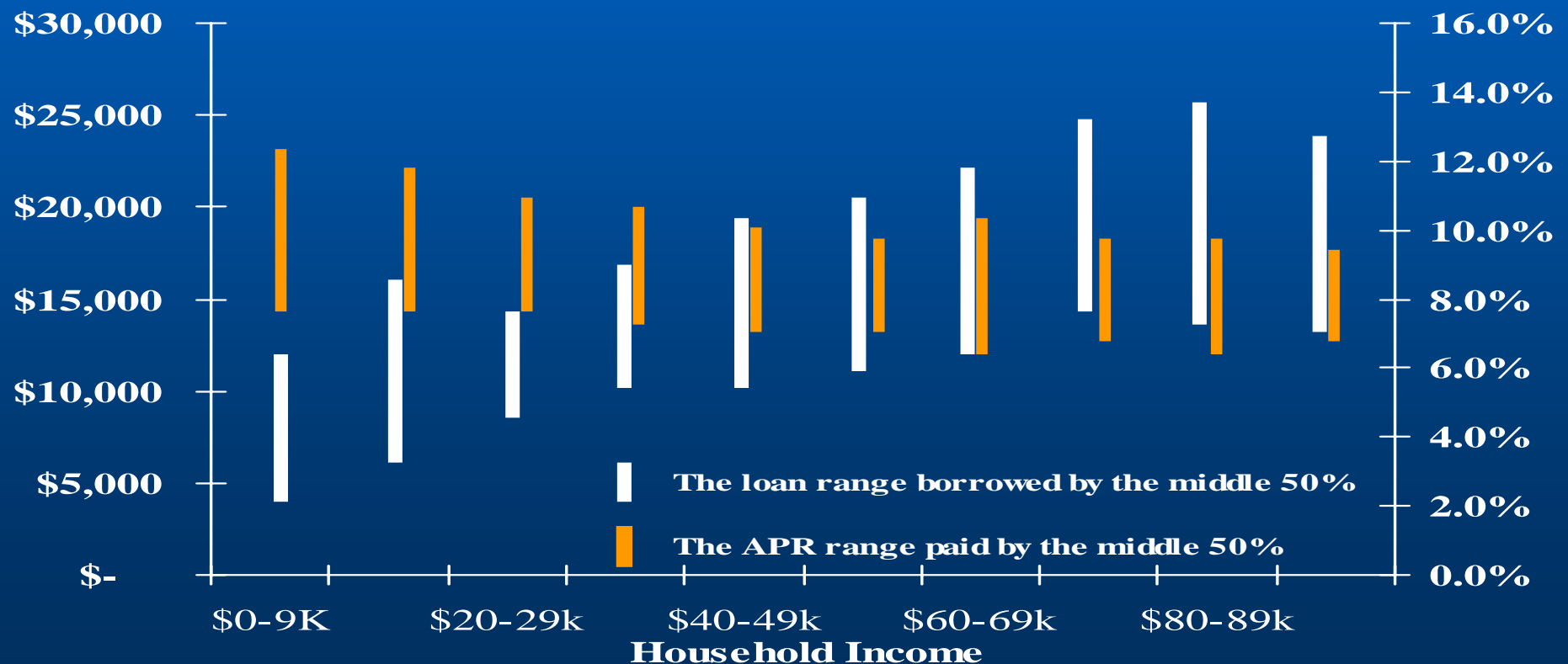
Low-income households pay over \$400 more to insure the same car and driver as a high-income household

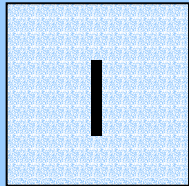




Low-income working families pay higher prices for a wide range of goods and services

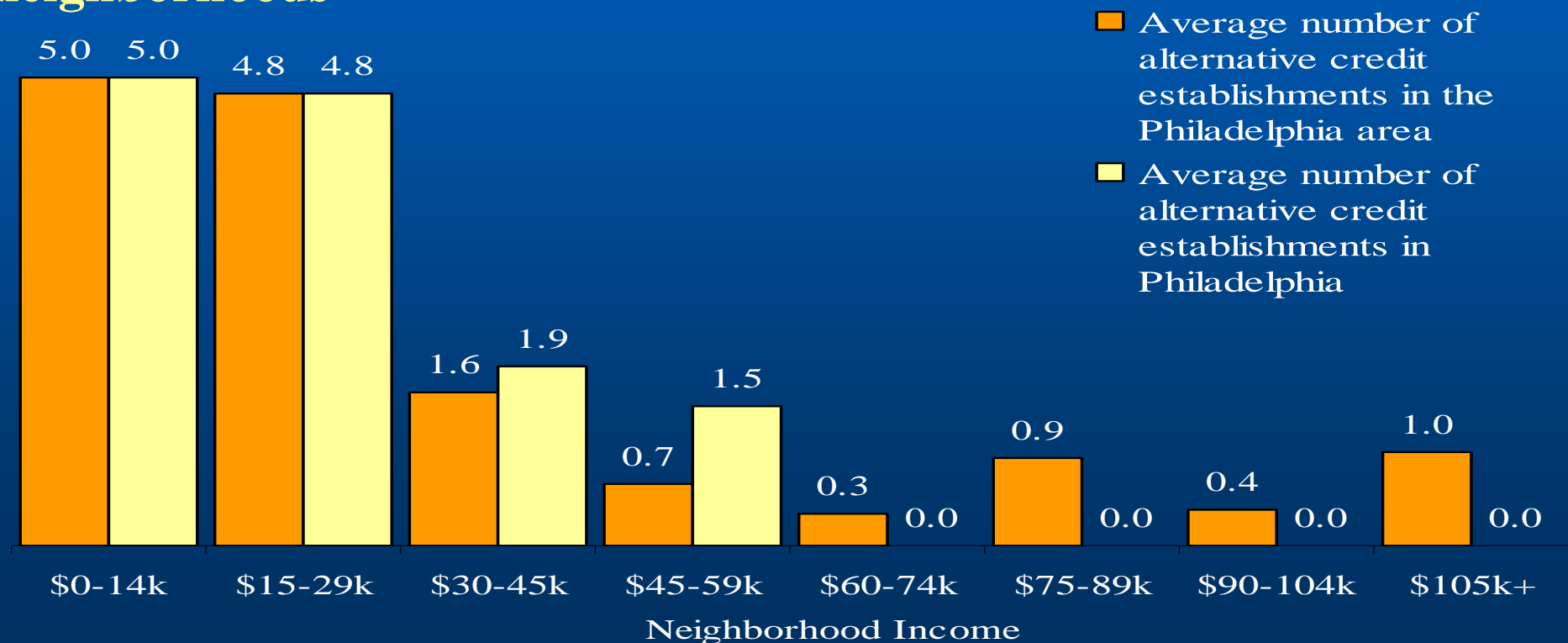
Low-income households **borrow much less money for car loans but pay much higher rates** than higher income households

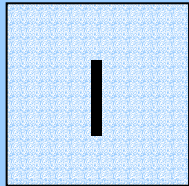




Low-income working families pay higher prices for a wide range of goods and services

Alternative credit establishments – which provide 400-500% APRs on short-term loans - are clustered in Philadelphia's low-income neighborhoods

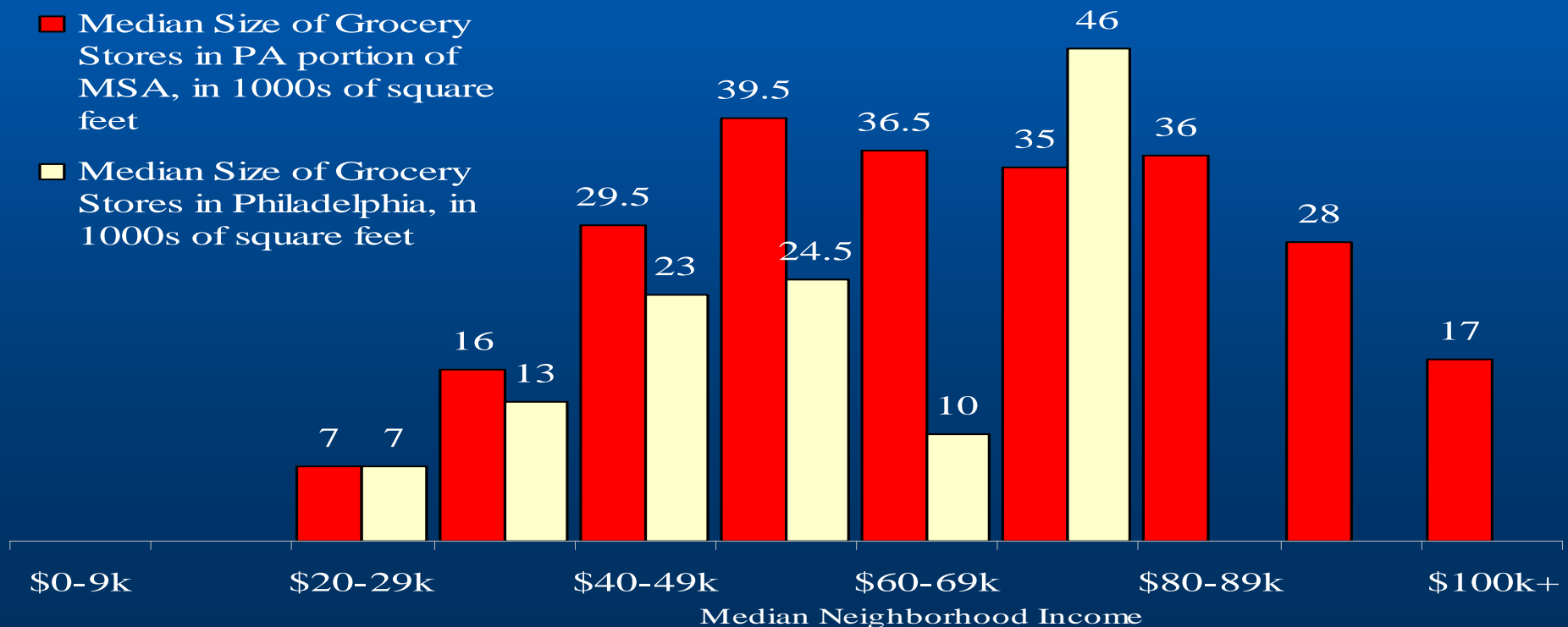


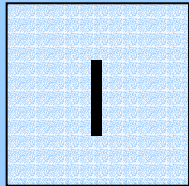


Low-income working families pay higher prices for a wide range of goods and services

There are **much smaller (and a fewer number of) grocery stores** in Philadelphia's low-income neighborhoods than higher-income neighborhoods

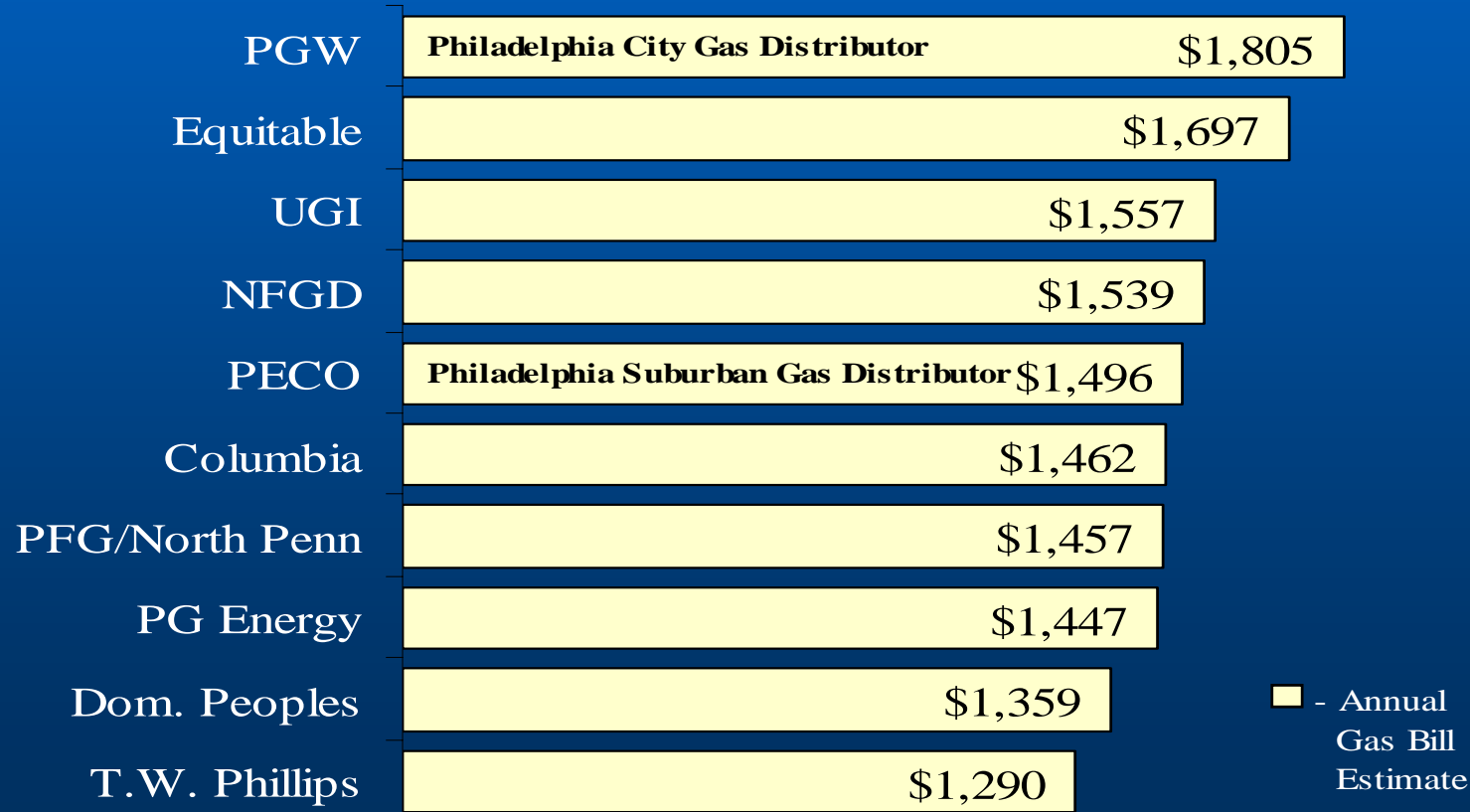
- Median Size of Grocery Stores in PA portion of MSA, in 1000s of square feet
- Median Size of Grocery Stores in Philadelphia, in 1000s of square feet

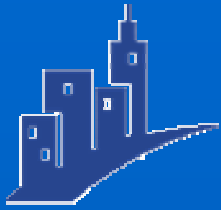




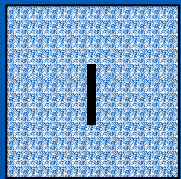
Low-income working families pay higher prices for a wide range of goods and services

And, all Philadelphia households pay a premium to use PGW. Low-income households are also more likely to pay a security deposit.

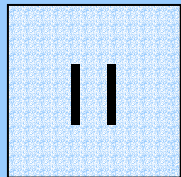




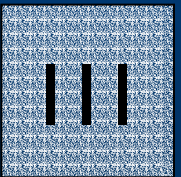
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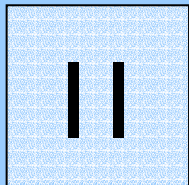
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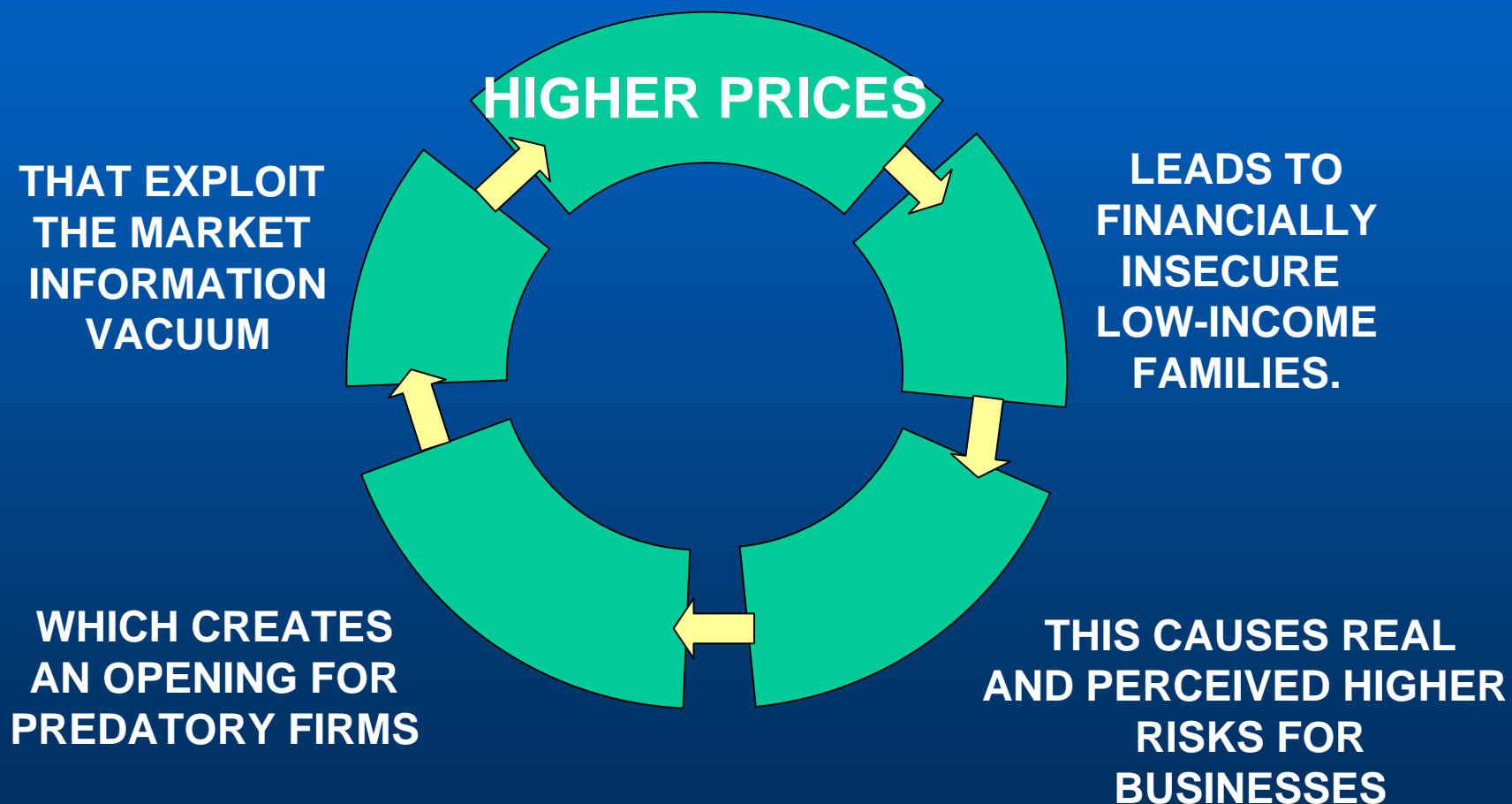
These higher prices reflect a cycle of financial insecurity

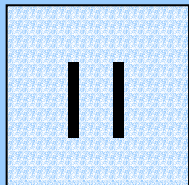


There are major opportunities to lower prices through state and local reform and market innovation



These higher prices reflect a cycle of financial insecurity



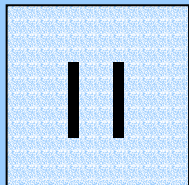


These higher prices reflect a cycle of financial insecurity

This cycle keeps Philadelphia's low-income working families from getting ahead by **taking money off the table for investments in:**

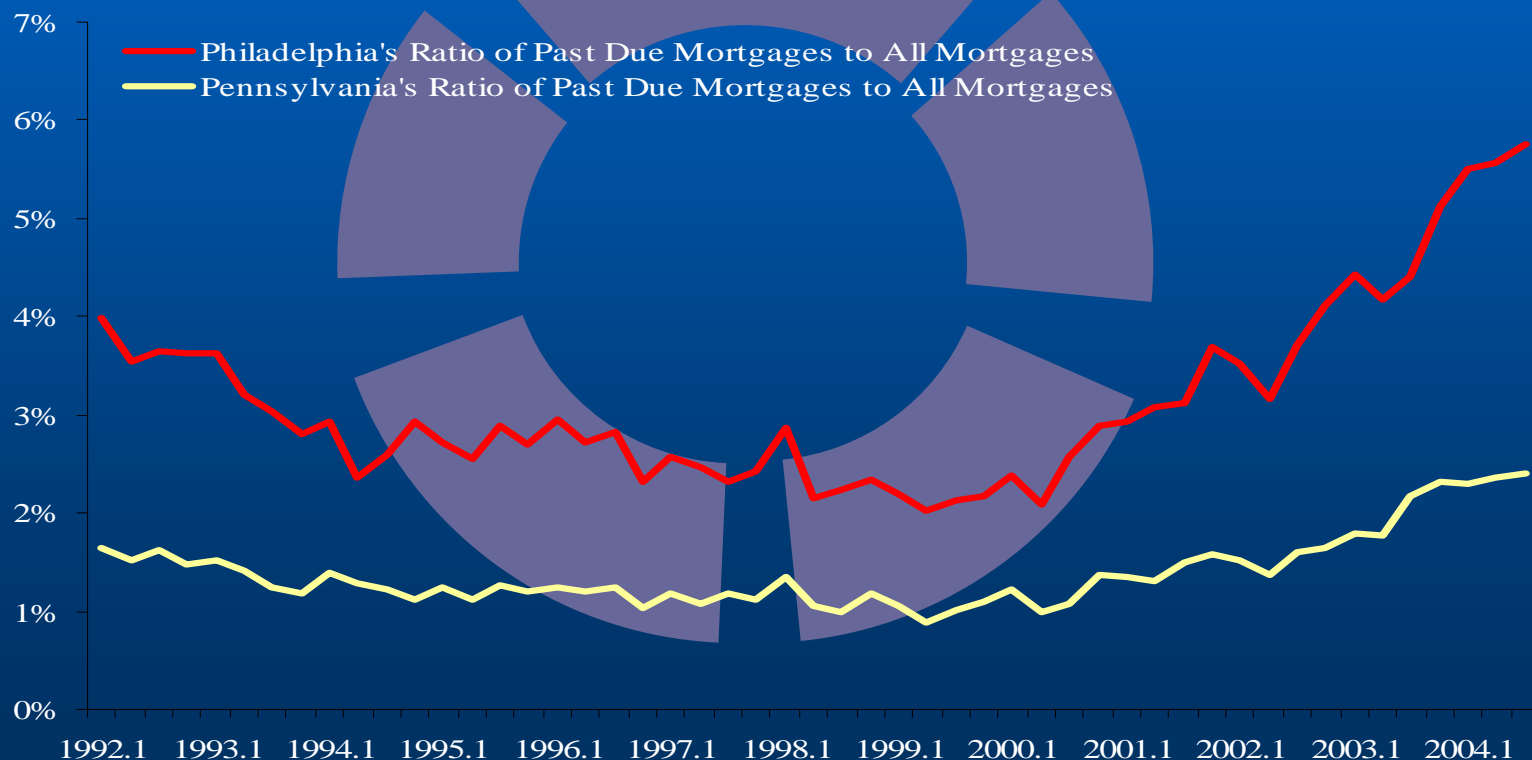
Education, Housing, Children,
Retirement, & Business Investment

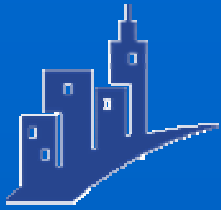
It also keeps Philadelphia from getting ahead by keeping the **tax base weak**, which **threatens the promise of a public education**, **hinders efforts to grow a middle class**, and **makes it more difficult to fight the effects of concentrated poverty**.



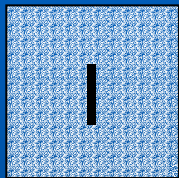
These higher prices reflect a cycle of financial insecurity

All of this creates a business environment in Philadelphia that looks fraught with high risks

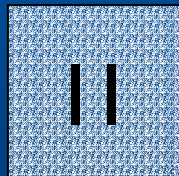




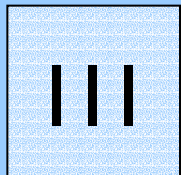
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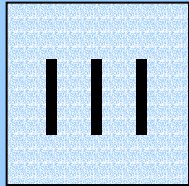
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These higher prices reflect a cycle of financial insecurity



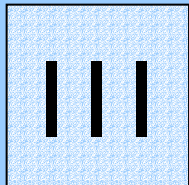
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There are major opportunities to lower prices

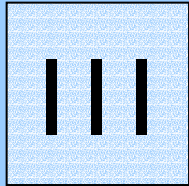
State and local government and civic organizations have already taken a number of steps to reverse these trends. Some of these recent initiatives include:

- 1. The Governor's Taskforce on Working Families
(Final Report Issued February 9, 2005)**
- 2. The Banking Secretary's Initiative on sub prime
mortgage lending (Announced on March 17, 2005)**
- 3. Several recent local initiatives**



There are major opportunities to lower prices

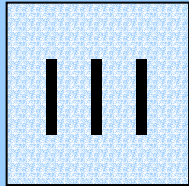
- GOAL 1:** *Reduce the risks of doing business with low- and moderate-income households*
- GOAL 2:** *Give consumers the information they need in today's market*
- GOAL 3:** *Curb market abuses that drive up the cost of basic necessities*
- GOAL 4:** *Lower the cost of publicly supplied goods and services*



There are major opportunities to lower prices

GOAL 1: *Reduce the risk of doing business with low- and moderate-income households*

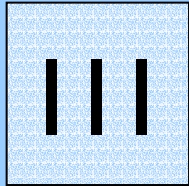
- Reinvest in financial education
- Study how companies measure risk
- Study neighborhood market demand
- Leverage capital to subsidize business investments
- Reduce neighborhood risks



There are major opportunities to lower prices

GOAL 2: *Give consumers the information they need in today's market*

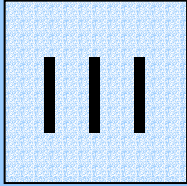
- Distribute a roadmap for how families can reduce their credit scores
- Rethink financial education curriculum
- Distribute a catalog of market products designed to lower prices for working families



There are major opportunities to lower prices

GOAL 3: *Curb market abuses that drive-up prices for basic necessities*

- Strengthen efforts underway to curb market abuses
- Enact new regulations in the short-term loan industry
- Publish the names of companies that take advantage of low-income consumers
- Predatory tort lawyers need to be investigated and held accountable



There are major opportunities to lower prices

GOAL 4: *Lower the costs of publicly supplied goods and services*

- Expand investments in home efficiency
- Expand state resources for PGW

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ANNOUNCEMENT

Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

read an open letter from Brookings President Strobe Talbott

METROVIEW

Deficits by Design Plague Metro
by Robert Puentes
The Washington Times
June 21, 2004

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METROPOLITAN GROWTH

Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

IMMIGRATION

Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

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