INSUFFICIENT FUNDS: SAVINGS, ASSETS, CREDIT AND BANKING AMONG LOW INCOME HOUSEHOLDS

Segment #1: Welcome, Ron Haskins

Washington, D.C.

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PARTICIPANTS:

Welcome:

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Overview:

REBECCA BLANK
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Panelists:

JANE DOKKO
Federal Reserve Board

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MR. HASKINS: -- today. About a month ago, my wife and I met with our financial advisor, and it turned out to be an extremely depressing experience, as you might imagine. And as luck would have it, the very next day Becky gave me a copy of Insufficient Funds, and I kind of leafed through it, and gosh, I sure felt a lot better.

So this book is definitely an anecdote to the middle class depression that arises from financial difficulties. It is really amazing to see the struggles that these families go through.

As a researcher, my whole career was spent studying income, and once in a while, you know, I got really creative and studied consumption, but I never really thought of financial services and the problems that the poor have even getting a bank or figuring out a way to save money to meet emergency needs and so forth, so this is an extremely important topic, it’s a relatively new area, and this is a wonderful book that is the best summary available of the area.

Let me begin by first thanking you all for coming in this weather, but also to mention that this event is being sponsored by the National Poverty Center at the University of Michigan, which Becky used to head before she came to Brookings,
by the Center on Children and Families that Belle Sawhill and I direct here at Brookings, and by the Retirement Security Project, which is a joint project of Brookings and the Georgetown Public Policy Institute.

And, of course, we always have to thank our funders. Without our funders, we’d be desperate. And the Ford Foundation generously supported both the research in this volume and this event today.

Becky is in a moment going to summarize the - let me just point out a few things. The book summarizes information on wealth, asset, and credit holdings, it has new survey based information on the use of financial services by low income families, it has a lot of information on cutting edge behavioral economic models that try to look at the way low income people save money, and it has an ample discussion of policy issues.

All of these will be discussed in today’s event. I don’t think that we’ll focus on these in today’s event, but the book also has really fascinating chapters on immigrants, which are an extremely important part of this story, and immigrants have additional problems into regular -- additional that normal low income families have with their finances. There also is a chapter on debt and credit cards, which I suggest you not read, it’s too depressing, because all of us might have a little debt and credit card issues, I would imagine. And then finally a
chapter on what is many ways the key issue, and that is home ownership. So this volume really has a lot of wonderful stuff.

And you can tell that the people involved are really terrific because most of them departed for the Obama Administration. There are three authors or editors in the volume that are or soon will be in the Obama Administration. Michael Barr, one of the co-editors, and along with Becky, one of the originators of the volume, will be the Assistant Secretary for Financial Institutions at Treasury; Raphael Bostic, who wrote the chapter on home ownership, will be Assistant Secretary for Policy Development and Research at HUD, and Brookings’ Becky Blank has been nominated at least to be the Under Secretary for Economic Affairs at Commerce.

The price of this book for the people in this audience is exactly correct, it is zero, and you can get it right out back; if you haven’t gotten one already, you can get one when you leave. One word about the event this morning, we’re going to begin with Becky Blank, who’s going to give an overview of the book. Then we’re going to focus more specifically on two chapters. Jane Dokko is here from the Federal Reserve Board to talk about the fascinating Detroit area study. This is really an interesting study about what actually happens to the finances of poor people in a difficult urban area, as of all us know about Detroit, and getting worse.
And then also Peter Tufano is here from Harvard, who will talk about financial behavior of low income families and discuss his chapter and plans on ways that we can encourage greater savings among these families.

And then following these two presentations, our own Bill Gale, the Vice President of Brookings for Economic Studies, will comment on the papers and on the volume as a whole. And then we’ll close with a panel discussion moderated by my colleague, Belle Sawhill, and then, as part of that, we’ll take questions from the audience. So, Becky, it’s all yours, congratulations on your new appointment.