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In an economically mobile market economy, individuals and families are able to raise their private incomes, wealth, and ability (sometimes referred to as human capital) over time and across generations. In the United States, many associate economic mobility with the pursuit of the American Dream. Education, work experience, and saving enhance the opportunity for upward economic mobility. To this end, many federal spending and tax expenditure or tax subsidy programs aim to enhance economic mobility. But exactly how much does the federal government encourage economic mobility? What form does this encouragement take? And who benefits from these efforts?

To begin answering these questions, we trace federal expenditures and tax subsidies through an array of spending and tax programs that can be broadly classified as aimed at enhancing economic mobility. We show these expenditures in 1980, 2006, and projected to 2012 under the type of budget baseline developed by the Congressional Budget Office. Within the federal mobility budget, we classify several hundred programs into 10 broad budget categories:

1. Employer-related work subsidies (e.g., 401(k) plans and exclusion of employer contributions for medical insurance premiums and medical care);
2. Homeownership (e.g., capital gains exclusion on home sales and exclusion of net imputed rental income on owner-occupied homes);
3. Savings and investment incentives (e.g., dividend exclusion and expensing of certain small investments);
4. Education and training (e.g., Title I Education for the Disadvantaged, higher education, and Job Corps);
5. Child health and nutrition (e.g., Medicaid and child nutrition);
6. Work supports (e.g., earned income tax credit [EITC] and child care entitlement to states);
7. Other child well-being (e.g., foster care and children's welfare services);
8. Business incentives and development (e.g., Economic Development Administration and Small Business Administration);
9. Citizenship services (e.g., refugee and entrant assistance); and
10. Equal opportunity services (e.g., minority business development and Equal Employment Opportunity Commission).

In the United States, many associate economic mobility with the pursuit of the American Dream.

We separate expenditures and subsidies in the remainder of the budget into other assistance largely aimed at maintaining income and increasing consumption (e.g., Social Security, Medicare, cash welfare, or SSI), or other spending largely

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for public goods (e.g., public infrastructure and research). The distinctions between mobility versus consumption and individual versus public goods are, like all budgetary classifications, somewhat blurred. For instance, programs that target a defined group, such as homeowners or renters, are usually counted in mobility or in consumption, respectively. Programs with geographic targets, such as the Appalachian region or areas affected by Hurricane Katrina, without identifying corporate or individual beneficiaries, are classified as public goods even though individuals or the firms that employ them are receiving the funds at some point. Thus, budget classifications are not meant to value alternative uses of public funds but to help sort out and account for the nation's established priorities. Here we attempt to tease out through a budgetary exercise how much of the federal budget is directed toward improving individual economic mobility.

Our findings are as follows:

- A considerable slice of federal funds has been aimed toward programs promoting mobility at some level. In 2006 alone, about $212 billion or 1.6 percent of gross domestic product (GDP) in direct spending and another $534 billion or 4.1 percent of GDP in tax subsidies went to programs aimed at promoting mobility, for a rough total of $746 billion. (The measure itself is rough because of the inevitable issues of categorization, and because one cannot strictly sum tax expenditures together.)
- Roughly 72 percent of this $746 billion in mobility expenditures, or $540 billion, is delivered mainly through employer-provided work subsidies, aids in asset accumulation, and savings incentives. This spending *flows mainly to middle- and higher-income households and often excludes lower-income households* or provides them comparably little in benefits.
- The remaining 28 percent, or $205 billion, of the mobility budget is channeled through programs that favor lower- to moderate-income individuals.
- Even when the tax and spending incentives directed at middle-income households provide them with greater (relative) benefits than the rich receive, the effect may be to inflate key asset prices (e.g., higher prices for homes than would otherwise be the case). Such inflation places these assets further out of reach for the excluded poor and lower middle-income classes. Consequently, the absolute and relative mobility of lower-rung groups is undercut.
- From 1980 to 2006, the mobility budget as measured here has risen from 5.2 to 5.7 percent of GDP. During this same period, income maintenance programs rose slightly less, from 9.3 to 9.9 percent (with non-child Social Security growing substantially while the rest of income maintenance fell).

THE ABSOLUTE AND RELATIVE MOBILITY OF LOWER-RUNG GROUPS IS UNDERCUT.

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- Income maintenance programs tend to be moderately more directed toward those with lower incomes. At times, however, these programs may impede economic mobility by discouraging work and saving, especially for those with the fewest resources. (We do not assess whether these programs help in achieving greater equalization of consumption, which is a different objective than mobility, as measured by independent economic status.)

Finally, much of the spending that falls into our residual budget category includes public goods that may also promote absolute mobility for the population as a whole. We do not examine that possibility here. At the same time, most of these programs are not directed toward promoting relative mobility.

The net result is a budget of direct spending and tax subsidies that attempts to promote absolute economic mobility for some but, in many areas stymies relative and intergenerational mobility in the acquisition of private assets, income, education, and ability. Trend lines into the future show a likely deterioration, not improvement, in these conditions.

INCOME MAINTENANCE PROGRAMS TEND TO BE MODERATELY MORE DIRECTED TOWARD THOSE WITH LOWER INCOMES.