ECONOMIC MOBILITY PROJECT

An Initiative of The Pew Charitable Trusts

SUMMARY OF KEY FINDINGS:
HOW MUCH DOES THE FEDERAL GOVERNMENT SPEND TO PROMOTE ECONOMIC MOBILITY AND FOR WHOM?

This report tracks historical and projected federal spending and tax subsidies aimed at promoting the economic mobility of Americans. This first effort at defining a mobility budget reaches two major conclusions:

- ***Poor and lower-income households are often excluded from the federal government's spending on economic mobility.***
- ***While these households do benefit from many other federal programs, those programs generally are not aimed at promoting mobility—and sometimes even discourage it.***

Divided into 10 key areas, mobility-directed federal expenditures and tax subsidies are defined as those that attempt to enhance the ability of households to raise their private incomes and wealth, including education, while reducing their possible dependence on society.

SOME KEY FINDINGS:

- In 2006, approximately $746 billion was spent on programs at least partially aimed at promoting mobility. Most of these expenditures came in the form of tax subsidies ($534 billion or 4.1 percent of GDP) while $212 billion or 1.6 percent of GDP came in direct spending *(See report Figure 1).*
- Approximately 72 percent of this $746 billion mobility expenditure (or $540 billion) is delivered mainly through ***employer-related work subsidies***, ***homeownership subsidies***, and ***savings and investment*** incentives in the form of tax subsidies that are usually unavailable to those with low incomes as they tend to owe little or no tax *(See report Figures 3 and 4).*
    - About $242 billion derives from ***employer-related work subsidies*** (e.g., pensions, health, life insurance and other fringe benefits); $158 billion from ***homeownership (***e.g., mortgage interest and property tax deductions); $104 billion from s***avings and investment incentives*** (e.g., capital gains and dividend exclusions). More than three-quarters of each of these subsidies go to households in the top quintile (See report *Table 1).*
- Spending that reaches lower income households accounts for less than one-third (28 percent) of all mobility spending.
    - As examples***, child health and nutrition*** programs provide $72.7 billion in basic needs for children, ***work supports*** (including the earned income tax credit) provide $57.6 billion to promote labor force attachment among low-income households, and $53.3 billion of ***education and training*** programs aim to enhance future earning potential by building human capital.
- Under current law, mobility enhancing programs targeted toward lower income households would decline as a percentage of GDP from 2006 to 2012, while those targeted to the rich would increase over the same period *(See report Figure 8a).*
    - For instance, as a share of GDP both ***education and training*** and ***work supports*** are scheduled to fall about 20 percent over this period.

Note: A budget classification exercise such as this is an approximate science. It is intended neither to value various uses of public dollars over others, nor to speak to the effectiveness of each government program to actually affect economic mobility, but to sort out and account for the federal government's spending priorities.

By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the Economic Mobility Project seeks to focus public attention on this critically important issue and generate an active policy debate about how best to ensure that the American Dream is kept alive for generations that follow.