

MANY POOR AND LOWER-INCOME HOUSEHOLDS EXCLUDED FROM THE FEDERAL GOVERNMENT'S \$700 BILLION SPENDING ON ECONOMIC MOBILITY

“How Much Does the Federal Government Spend to Promote Economic Mobility? And For Whom?” Examines Expenditures and Tax Subsidies from 1980, 2006 and projected 2012 federal budgets

Washington, D.C. – Despite the federal government spending more than \$700 billion annually to promote economic mobility, the vast majority of these funds flow to middle- and higher-income households and often excludes lower-income families, according to a new report issued today by The Economic Mobility Project, an initiative of The Pew Charitable Trusts.

Comprised of a group of experts from The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute, The Economic Mobility Project seeks to investigate the status of economic mobility in America.

Lower-income households benefit from many other programs, the study points out, but often in ways that may fail to promote, or even discourage, mobility.

In 2006, nearly \$212 billion in direct spending (1.6 percent of GDP) and about \$534 billion in tax subsidies (4.1 percent of GDP) went to programs aimed at promoting mobility. Yet, more than 70 percent of the combined \$746 billion, or \$540 billion, were delivered through employer-provided work subsidies, aids in asset accumulation or savings incentives that greatly favor middle- and higher-income households. Only 28 percent, or \$205 billion, was directed toward programs that attempt also to augment mobility for lower-income households.

C. Eugene Steuerle, a principal of the Economic Mobility Project and a senior fellow at the nonpartisan Urban Institute, Adam Carasso of the New America Foundation and the Urban Institute's Gillian Reynolds coauthored “How Much Does the Federal Government Spend to Promote Economic Mobility? And For Whom?”

“Examining economic mobility through the lens of the budget allows us to assess the priority the federal government places on programs aimed at helping citizens realize the American Dream,” Steuerle said.

The authors traced expenditures and tax subsidies through hundreds of spending and tax programs in the federal budget that can be classified as advancing mobility. These programs are broken down and categorized in 10 broad buckets:

- Employer work subsidies (e.g. 401(k) plans)
- Homeownership (e.g. capital gains exclusion on home sales)
- Savings and investment incentives (e.g. dividend exclusion)

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- Education and training (e.g. education for the disadvantaged)
- Child health and nutrition (e.g. Medicaid)
- Work supports (e.g. earned income tax credit)
- Other child well-being (e.g. foster care and child welfare)
- Business incentives and development (e.g. Economic Development Administration)
- Citizenship services (e.g. refugee and entrant assistance)
- Equal opportunities (e.g. minority business development)

While other federal programs attempt to serve worthwhile purposes, such as supporting consumption and income maintenance, or promoting such public goods as defense and highways, they are not aimed specifically at advancing mobility.

“The fact that less than 30 percent of the budget helps lower-income households realize upward mobility is disproportionate to the current challenge,” said John E. Morton, Pew’s managing director of Economic Policy and the director of the Economic Mobility Project. “Recent research by the Project showed that more than 40 percent of those born in the bottom of the income distribution remain in the bottom as adults—we need to ensure that policies and programs are in place that help all segments of society, bottom-to-top.”

The report and information about the project is available at www.economicmobility.org.

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By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the Economic Mobility Project hopes 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.

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