



2021.11.17

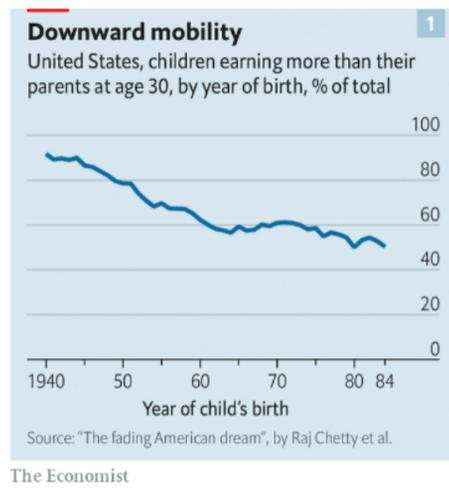
In the 1940s Joe Biden Sr. fell from early wealth to near-destitution. He moved his young family in with his in-laws as he looked for work in Scranton Pennsylvania, before re-establishing middle-class ease as a used car salesman in Delaware. This helps to explain the weight that his son, President Joe Biden, places on the well-being of the middle class, including the goal of helping every American with the the opportunity to join or re-join it.

The President's personal story chimes with something America sorely needs: increased social and economic mobility. Addressing the essence of his Build Back Better series of bills, the Biden administration believes it will provide people with a fair chance to build a decent, middle class life. More, the President's camp sees helping the disadvantaged as a way to boost the economy as a whole. Treasury Secretary Janet Yellen argued that the plans would "support families and enable greater inclusion in the workforce and social mobility by helping the disadvantaged through economic growth".



"The poor are getting poorer, but with the rich getting richer it all averages out in the long run."

Data shows that America, the avowed land of opportunity, now appears a harder place in which to make it than Canada or Western Europe. Yet the idea that social and economic status should be conferred according to effort rather than hereditary privilege has been long seen as quintessentially American. Today however, it is receding. What economists call absolute mobility -the probability that a child will grow up to earn more than their parents, has dropped precipitously. Americans born in the 1940s had a 90% chance of earning more than their parents, compared with those born in the 1980s whose chances are less than 50% (see Chart).



That remarkable drop is largely attributable to the emergence of education as the differentiator between economic precarity and success. Workers with college (university) degrees have real wages 86% higher than those of workers without. What is more, those without a degree have seen little increase in real wages since 1979. Consider the chance for a child born to parents in the bottom fifth of income distribution to make it to the top fifth. In a society where origins did not matter, one would expect the likelihood of such a rages to riches ascent to be close to random chance, or 20%. In America the odds are just seven in a hundred.

Those born rich in America are much likelier to stay rich. Their children enjoy higher income too. Hereditary persistence in incomes is a measure of how much you can predict about two people's income based on a comparison of what their parents earned. Income inequality contributes to low rates of social mobility and the quarterly data from the Federal Reserve showed that the top 1% of earners in the United States held more wealth than the middle 60%.

But can Biden's Build Back Better plan provide a way forward? With the Democrats divided between Progressives and Moderates, the answer is likely no. Woven into the American ethos is rugged individualism and a move toward a more collective approach takes time. Denmark wasn't built in a day after all. European-style welfare States require European levels of taxation, but Biden has promised that no family with an income of less than \$400k USD will pay more taxes. Also off the table is the proposal to eliminate a loophole allowing inherited assets to escape capital gains tax, denying the Internal Revenue Service an estimated \$200 billion USD in revenue. Some Democrats are also threatening to kill their own larger infrastructure bill unless a tax break allowing the deduction of State and Local taxes is re-instated. Such a measure would benefit the rich, and would further undermine efforts to fund the President's agenda.

Bringing all the President's ambitions in a single package would have been hard enough, if the original \$4 trillion had the support of his caucus. At half that or less, it is impossible. The White House might profitably pare down its ambition to the investments most suited to equalizing opportunity for America's children. Beyond that though, Biden has a responsibility to be honest with voters. There's no such thing as a free lunch and after plans to tax billionaires and multi-billion dollar corporations were shot down by mavericks Joe Manchin and Krysten Sinema, the inescapable truth is that the middle class will end up paying for Build Back Better through higher taxes. So in pitching the deal to Americans, President Biden needs to ask the open-ended question as to *whether citizens trust the American government to spend their money better than they can?* One can guess why he hasn't up to this point, leaving his cherished legislation unfunded and assuming it clears the Senate, trillion dollar structural deficits for future taxpayers to deal with. This is hardly the roadmap to greater social and economic mobility or to build back better the American Dream.

Thanks for reading!

Martin
1-519-546-5088

MARTIN WEILER, FINANCIAL ADVISOR
FIRST CAPITAL FINANCIAL / WORLD SOURCE FINANCIAL MANAGEMENT INC
50 CORESLAB DR. DUNDAS, ON L9H 0B2
P: 519-829-1331 F: 833-869-8042
MARTIN@FCFCORP.CA

Mutual Funds and some Segregated Funds provided by the Fund Companies are offered by Martin Weiler, a registered representative, through Worldsource Financial Management Inc., sponsoring mutual fund dealer. Other Products and Services are offered through First Capital Financial Corporation. This email and any attachments are intended only for the recipient(s) named in this email and may contain personal and/or confidential information. If you have received this email in error, please email the sender immediately, and delete the original email. Dissemination, distribution, or copying of all or any part of this message by anyone other than the intended recipient(s) is not authorized. The information provided in this email and/or attachment/s is solely for general and educational purposes and is based on the perspectives and opinions of the owners and writers. It is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting, or professional advice. Please consult an appropriate professional regarding your particular circumstances. References to third party goods or services should not be regarded as an endorsement of those goods or services. All information provided is believed to be accurate and reliable, however, we cannot guarantee its accuracy. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or the fund facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.