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# REMAPPING DEBATE

Asking "Why" and "Why Not"

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## What can you buy with the \$3.5 trillion?

**Original Reporting** | By Meade Klingensmith | Budget deficit, Role of government, Taxes

Jan. 16, 2012 — When discussing the then-impending “fiscal cliff,” most politicians in Washington described calamitous consequences were an agreement on taxes and sequestration of appropriations not to be reached.

What else would have happened? Based on the Congressional Budget Office’s [comparison](#) of what the aggregate 10-year federal debt would be in light of the agreement and what it would have been if all Bush tax cuts had been allowed to expire (that is, if rates had returned to Clinton-era levels), going over the cliff would have meant an additional \$3.97 trillion in federal coffers over 10 years.

If rates returned to Clinton-era levels but a fix were put in place to prevent the alternative minimum tax from hitting middle income taxpayers, then there still would have been [an additional \\$2.98 trillion](#) more in the federal treasury than under the deal reached between President Obama and Senate Minority Leader Mitch McConnell.

If the law were changed to tax capital gains and dividend income at the same rate as ordinary (earned) income, then an additional \$533 billion would have been netted to the federal government over a 10-year period, according to [Citizens for Tax Justice](#).

The accompanying data visualization places these sums in context with a variety of spending needs that have widely been described as “unrealistic.”

For example, the American Society of Civil Engineers [estimated](#) that the cost of repairing the nation’s infrastructure stands at \$2.2 trillion over five years, with about \$1.1 trillion still unfunded.

According to Physicians for a National Health Program, extending Medicare coverage to the uninsured — combined with other expenses associated with achieving universal health coverage — would cost [\\$326 billion](#).

The National Resources Defense Council’s [plan](#) to require all fossil fuel power plants to reduce CO2 emissions by 26 percent from 2005 levels by 2020 would cost approximately \$32 billion over seven years.

Finally, [the American Challenge Grants program](#), a private-public funding model for public universities proposed by a team of faculty at University of California, Berkeley, would cost \$10 billion over 10 years.

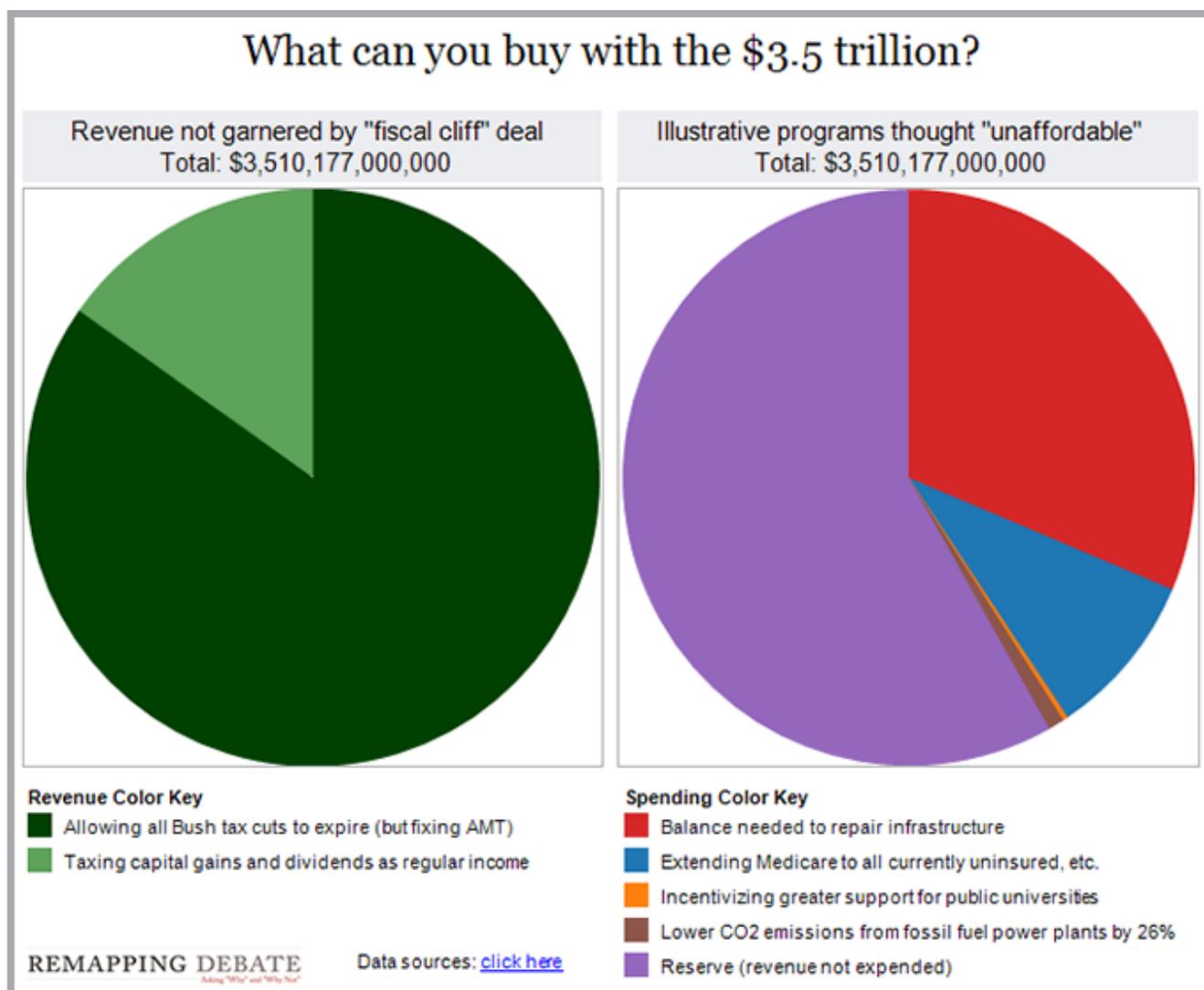
It turns out that all of the expenditures would still leave a \$2.04 trillion “reserve” from the revenues identified.

## A positive spin from progressive groups

In the face of the passage of the Obama-McConnell agreement, many union and progressive groups issued statements praising, at least in some measure, the deal that had been reached (the AFL-CIO’s statement is [here](#); Service Employees International Union (SEIU’s) is [here](#); and the Progressive States Network’s (PSN’s) is [here](#)).

Remapping Debate spoke with representatives of the three organizations whose statements are linked above, asking each about the fact that approximately \$3 trillion of revenue over 10 years was lost to federal coffers as a result of not allowing the Bush tax cuts to expire in their entirety.

(Article text continues on next page.)



Kelly Ross, deputy policy director of the AFL-CIO, asked whether, overall, the deal was a good one or a bad one, wouldn't go beyond the union's statement (which said the agreement was "a breakthrough in beginning to restore tax fairness," although it also pointed to deficiencies). Ross said that it was "necessary for the economy" to retain tax cuts to the extent of keeping them in place for households with incomes up to \$250,000. He agreed, however, that "we need a lot more revenue."

The SEIU's statement described the deal that was made as "the right move to protect America's middle class families," while also stating that "right wing extremists once again pushed the debate outside the mainstream." Peter Colavito, director of government relations for SEIU, likewise said that "this was probably not the time to ask most working class and middle class families to pay a little more," and added that SEIU had been aligned with the original Obama position that tax cuts should have been allowed to expire at the \$250,000 level. Like Ross, he said that "the government needs to find more revenue," and suggested closing corporate tax loopholes.

PSN's statement characterized the deal as achieving "some important and historic results for the vast majority of American families," while saying that it was "far from perfect." Ann Pratt, executive director of the Progressive States Network, noted in speaking with Remapping Debate that PSN's focus is on the state level. Without in any way endorsing the idea that all tax cuts should have been allowed to expire, Pratt said that additional federal revenues of the scope that would have been yielded by such a result would have been "great for the states."

That kind of money, Pratt said, "Would actually go far towards the things that are very important to PSN, like fully funding public schools, and fully funding Medicaid and infrastructure, and putting more money into the hands of middle-class people."

A separate [blog post](#) from PSN said the "fiscal cliff" deal "left much to be desired."

*Additional reporting: Craig Gurian*

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