Center for American Progress

Fast Facts

CAP's Progressive Approach to Deficit Reduction

To get our nation's long-term budget deficits under control, we will have to make tough choices, but they should not be bad choices. The Center for American Progress is releasing its plan to bring our budget to primary balance—when total government revenue equals total government spending except for interest payments on the debt—by 2015 through a combination of revenue increases and spending cuts. Our progressive approach recognizes the economic reality facing millions of American families struggling every day and protects our national priorities while at the same time being realistic about the current political climate.

CAP's 50-50 plan: The specifics

The CAP 50-50 proposal brings the budget into primary balance by 2015 and brings our deficits to sustainable levels. Specifically, we propose $128 billion in spending cuts and $127 billion in revenue increases. The spending cuts include:

- Switching to a better inflation measure, which will reduce mandatory spending by more than $15 billion
- Eliminating roughly $35 billion in corporate subsidies and other tax expenditures including targeted subsidies to agribusiness and some types of insurance companies
- Targeting $60 billion in specific defense cuts for a 7 percent overall reduction
- Cutting more than a dozen non-defense discretionary agencies, for $12 billion in savings

The revenue increases include:

- Removing the cap on the employer side of the Social Security payroll tax to generate $76 billion

- Imposing a $5 fee on foreign oil imports to generate $22 billion and also reduce our reliance on foreign oil
- Applying a new 2 percent surtax to adjusted gross income above $1 million and an additional 3 percent to adjusted gross income above $10 million to generate $29 billion

This will bring deficits to sustainable levels. Under our proposal, spending would be 22.7 percent of the national economy, down from 24.8 percent in fiscal 2010. Revenue would be 19.8 percent of our national economy, still lower than the 20.6 percent level at the end of the Clinton administration.

The 50-50 CAP plan makes tough but smart choices that protects middle-class families and our national priorities

We recognize the economic reality millions of middle-class families face every day struggling to make ends meet at the same time the wealthiest 5 percent saw their income increase from 2008 to 2009. To that end, our 50-50 plan achieves our budget goals while protecting middle-class families, continuing vital economic investments, and adequately funding other national priorities.

We cut spending, but not by bluntly slashing vital services. Instead, we target the cuts to unneeded defense procurement and corporate subsidies. And we raise revenue without hiking income taxes on anyone making less than $1 million a year. These are still tough choices, but they will not cripple the economy, and they are within historic norms and avoid draconian measures that would hurt struggling middle-class families.

The 50-50 CAP plan is feasible

Proposing to balance the budget *only* on tax increases or *only* on spending cuts is both unrealistic and bad public policy. We rely neither on bogus claims such as "tax cuts pay for themselves," nor on a fundamental transformation of our tax system. Though we believe such a transformation could be beneficial, we don't think it's wise to have deficit reduction hinge on yet another massive undertaking. Our plan stays within the broad confines of the current system.