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Testimony of Maya MacGuineas Committee for a Responsible Federal Budget Hearing before the House Budget Committee

The Best Metric to Reverse the Curse: A 3% Deficit-to-GDP Path to Fiscal Sustainability March 26, 2026

Chair Arrington, Ranking Member Boyle, and Members of the committee, thank you for inviting me here today to discuss the need to target reducing deficits to 3% of Gross Domestic Product (GDP) annually.

I am Maya MacGuineas, president of the Committee for a Responsible Federal Budget, a nonpartisan nonprofit dedicated to educating the public about and working with policymakers on fiscal policy issues. Our co-chairs are former Indiana Governor and OMB Director Mitch Daniels; former Secretary of Defense, OMB Director, and House Budget Committee Chair Leon Panetta; and former Congressman Tim Penny. Our board includes some of the nation's leading former Members of Congress, agency officials, and experts focused on budget issues.

The federal budget is on an unsustainable trajectory and desperately in need of a course correction. Under the latest projections from the Congressional Budget Office (CBO), the national debt will exceed its record as a share of the economy by 2030, rise to 120% of GDP by 2036, and grow to 175% of GDP by 2056. Deficits will average more than 6% of GDP annually and reach 6.7% by 2036. And interest payments on the debt – which already cost us \$1 trillion a year or \$7,800 per household – will more than double to above \$2 trillion by 2036. In that year, interest will be the second largest line item in the budget, consuming 26% of revenue and 4.6% of GDP.

To put the U.S. on a sustainable fiscal path, the Board of Directors of the Committee for a Responsible Federal Budget has [endorsed](#) setting an initial fiscal target of reducing deficits to 3% of GDP over time. This target would put the debt on a slow downward path, is aggressive but achievable, and already has broad support.

The severity of our fiscal situation calls for bold action and making the necessary tradeoffs to reform entitlements, secure federal trust funds, reduce spending, raise revenue, and put in place other reforms and efficiencies that reduce deficits. Setting a 3% of GDP deficit target is a promising way to start this process.

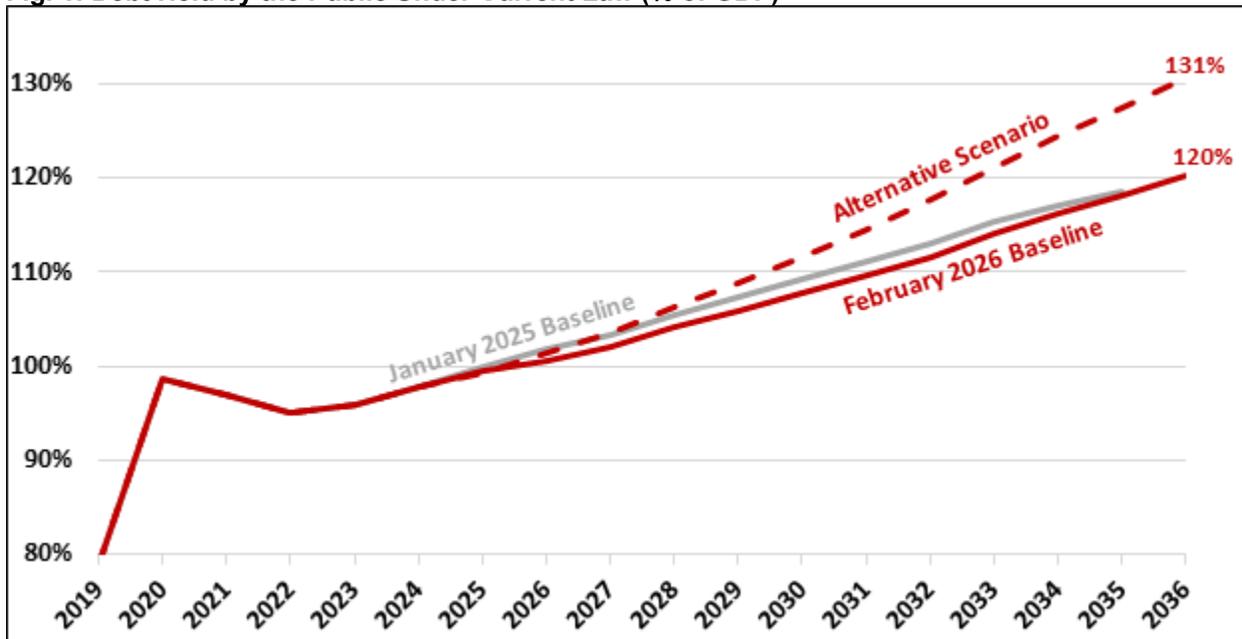


The U.S. Faces an Unsustainable Fiscal Trajectory

The national debt is at a near-record high as a share of the economy and rising unsustainably. Portions of this testimony were previously [submitted](#) as testimony to the Fiscal Responsibility and Economic Growth Subcommittee of the Senate Committee on Finance.

Debt held by the public is equal to roughly 100% of GDP today, and CBO projects it is on track to pass the post-World War II record high – 106% set in 1946 – in just four years. Debt will continue to grow thereafter, reaching a stunning 120% of GDP by 2036 before climbing to 175% after 30 years. This is an alarming outlook, whether one looks at the short, medium, or long term.

Fig. 1: Debt Held by the Public Under Current Law (% of GDP)



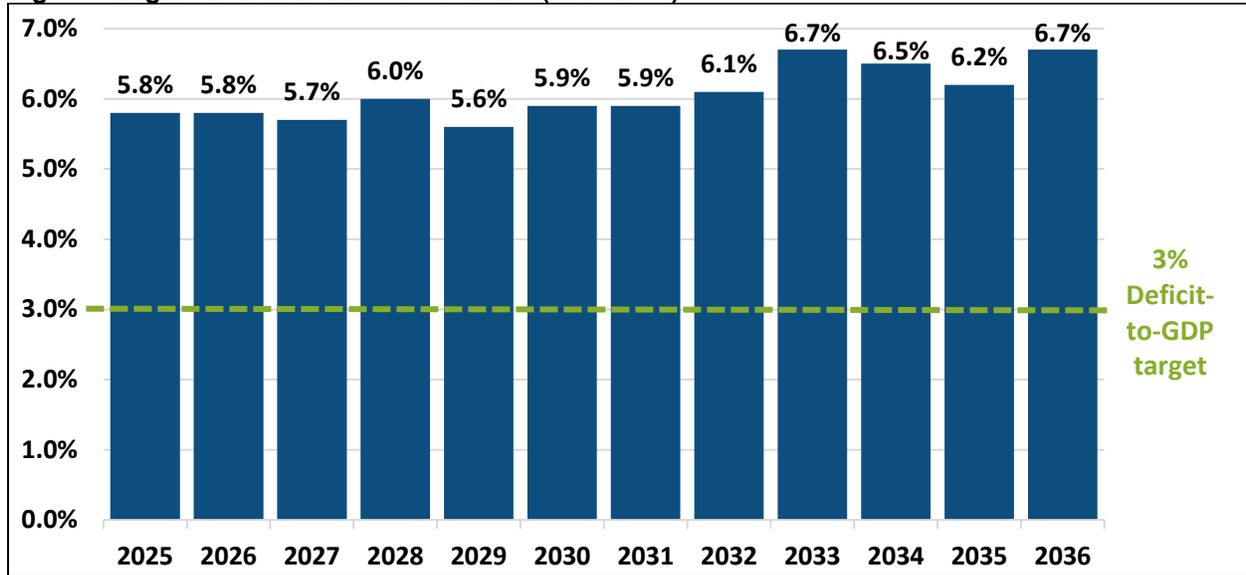
Source: Congressional Budget Office & Committee for a Responsible Federal Budget. Alternative Scenario assumes IEEPA tariffs are ruled illegal, temporary OBBBA provisions are extended, and enhanced ACA subsidies are revived.

Annual deficits under CBO's baseline will climb past \$2 trillion and eclipse \$3 trillion by 2036, averaging more than 6% of GDP over the decade and reaching 6.7% by 2036.

Additionally, several federal trust funds that facilitate important programs are in deep trouble. CBO projects the Highway Trust Fund will be exhausted in 2028, the Social Security retirement trust fund in 2032, and the Medicare Hospital Insurance trust fund will be exhausted in 2040. When trust fund insolvency happens, the law calls for deep, across-the-board cuts for each program, with CBO estimating that highway spending would see a 40% cut, Social Security benefits would see 26% cut, and Medicare hospital payments would see an 8% cut. CBO's debt projections assume those payments are made in full and added to borrowing. While Congress cannot and should not allow these important programs to face such cuts, nor should it allow their shortfalls to be added to federal borrowing.



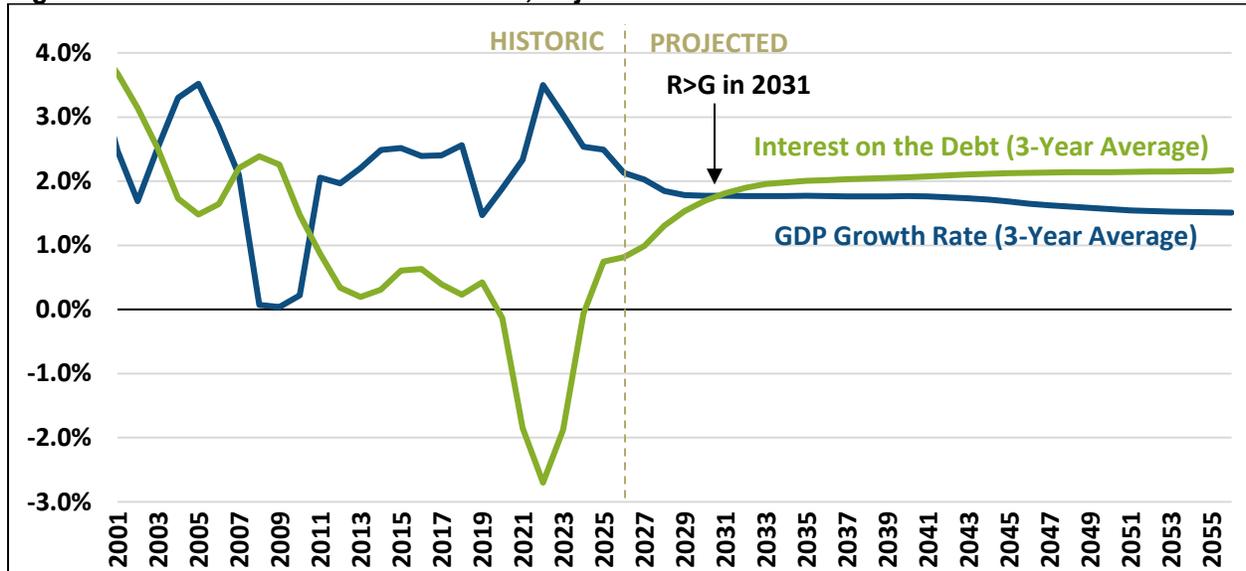
Fig. 2: Budget Deficits Under Current Law (% of GDP)



Source: Congressional Budget Office.

Worryingly, CBO projections suggest we may be approaching a point where debt could quickly spiral out of control. Many economists have pointed out that the United States cannot sustainably run primary (non-interest) deficits if the rate of economic growth (G) is lower than the average nominal rate of interest paid on the debt (R). Fortunately, the [interest rate has been below the growth rate](#) ($R < G$) for all of the last 15 years and most of the last 60 years, outside brief contractions during recessions.

Fig. 3: Interest Rates & GDP Growth Rate, Adjusted for Inflation



Source: Congressional Budget Office & Committee for a Responsible Federal Budget.

However, CBO projects the interest rate will exceed the growth rate ($R > G$) starting in 2031 and by increasing amounts thereafter. By 2056, CBO projects a 4.2% interest rate while nominal



growth will fall to 3.5%, a 70 basis point gap. Once R exceeds G, a debt spiral can ensue. Higher national debt as a share of the economy can push up interest rates and slow economic growth by crowding out investment. Those higher interest rates and slower growth can further push up debt-to-GDP, setting off a vicious cycle that becomes increasingly hard to reverse and could ultimately spark a fiscal crisis.

Even short of such a crisis, high and rising debt and deficits result in a number of consequences for the economy and the American people. High deficits and debt can lead to more bouts of elevated inflation, as we've seen over the past few years. It can push up interest rates throughout the economy on everything from credit cards to mortgages to business loans. And it can slow income and wage growth as government debt "crowds out" private investment.

For those worried about the issue of affordability, high and rising national debt is a huge concern.

High and rising debt also pushes up federal interest costs, which are on course to be the single largest line item in the budget by 2047. It leaves us with less fiscal space to respond to future recessions, wars, or other crises. It creates a generational imbalance – with younger generations having to pay the bills for older generations' refusal to do so – creating further tension. And it causes geopolitical vulnerabilities, with the U.S. having a weakened posture on the global stage, threatening our national security. There is a reason former Chairman of the Joint Chiefs of Staff Admiral Mike Mullen has called debt "the single, biggest threat to our national security."

Most severely, very high levels of debt could potentially spark a [fiscal crisis](#). In a recent paper, we pointed to six possible types of fiscal crises, all of which become increasingly likely when the U.S. is too indebted. Quoting from our paper, these include:

- **Financial Crisis:** Reduced confidence in U.S. Treasury markets could lead to a spike in interest rates, panic among traders, devaluation of assets, freezing or slowing of credit, and failure of key financial institutions.
- **Inflation Crisis:** Attempts or fear of attempts to manage debt levels through monetization, artificially low interest rates, or financial repression could result in high and potentially spiraling inflation.
- **Austerity Crisis:** Sharp tax increases and spending cuts enacted to stave off a fiscal crisis could create undue hardship, undermine demand, and push the economy into recession.
- **Currency Crisis:** The U.S. dollar could face sudden and significant depreciation in response to fiscal stress and policy responses, resulting in destabilization of markets and the economy.
- **Default Crisis:** Policymakers could explicitly or implicitly default on debt, including by failing to make debt payments or by restructuring existing debt.
- **Gradual Crisis:** Living standards and fiscal and monetary flexibility could gradually erode in response to rising debt, potentially causing as much or more long-term damage than an acute crisis.



While we may not be on the brink of any of these crises, the risks they materialize rise with the level of our current and projected debt and growing perception that policymakers will be unable to correct our trajectory. And as explained above, the consequences of our fiscal situation are dangerous even without a visible crisis.

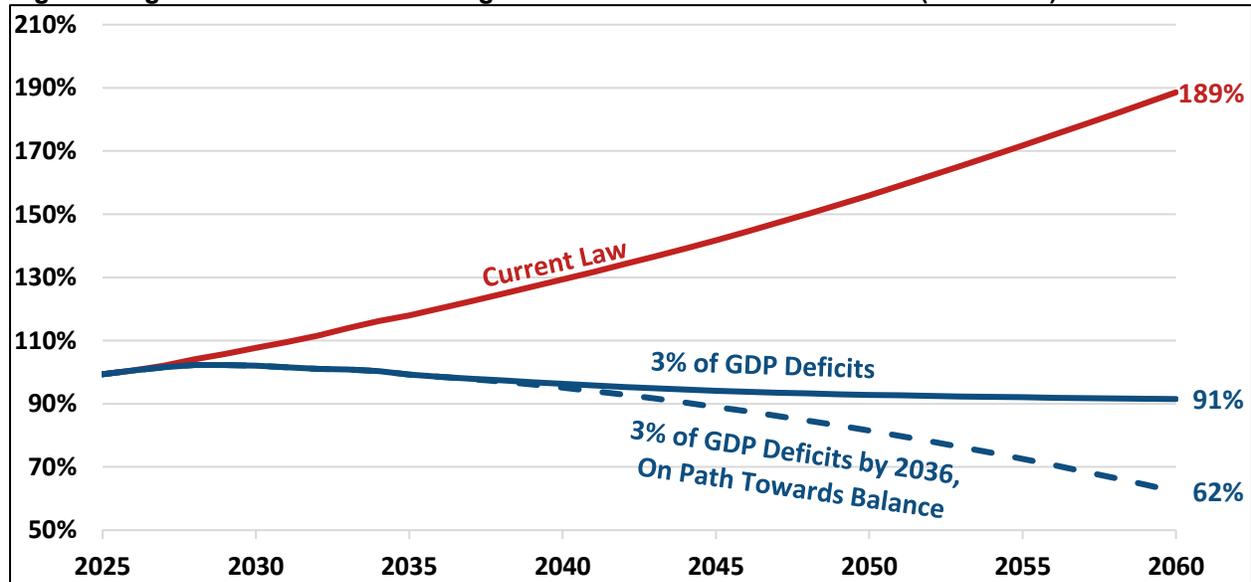
Simply put, there is no silver lining in this trajectory. We are in a period of alarmingly high debt levels despite a growing economy and several demographic challenges ahead.

The United States Should Set a 3% of GDP Deficit Target

Given our unsustainable fiscal outlook, policymakers should act swiftly to begin reducing deficits and stabilizing the debt. To do so, Congress and the President should adopt a credible fiscal goal or target.

The Board of Directors of the Committee for a Responsible Federal Budget has [called for](#) reducing deficits to an initial target of 3% of GDP. With debt the size of the economy today, annual deficits must be smaller than the expected nominal growth rate to put debt on a sustainable path. Deficits of 3% of GDP would be sufficient to put debt on a slow downward path toward roughly 90% of GDP by 2060 under current projections, leaving some flexibility in case of slower growth or occasional one-time costs (for example, related to wars or recessions).

Fig. 4: Long-Term Debt Under 3% Target and 3% With a Path to Balance (% of GDP)



Note: “3% of GDP Deficits” assumes deficits decline to 3% of GDP by 2036 and then stay there through 2060. “3% of GDP Deficits by 2036, On Path Toward Balance” assumes deficits decline to 3% of GDP by 2036, then decline at a slower, linear rate to 0% by 2060.

Sources: Committee for a Responsible Federal Budget, Congressional Budget Office.

A 3% of GDP deficit target would also be more realistic than other loftier goals, including a balanced budget. We would be thrilled if a balanced budget were within reach, but due to years of fiscal deterioration and neglect, under reasonable and credible scenarios, it currently is not.



Achieving a 3% goal would require cutting deficits roughly in half rather than eliminating them altogether. And whereas balancing the budget by 2036 [would require](#) about \$18.5 trillion of deficit reduction over a decade, a 3% of GDP deficit target could be met with roughly \$10 trillion of ten-year savings.

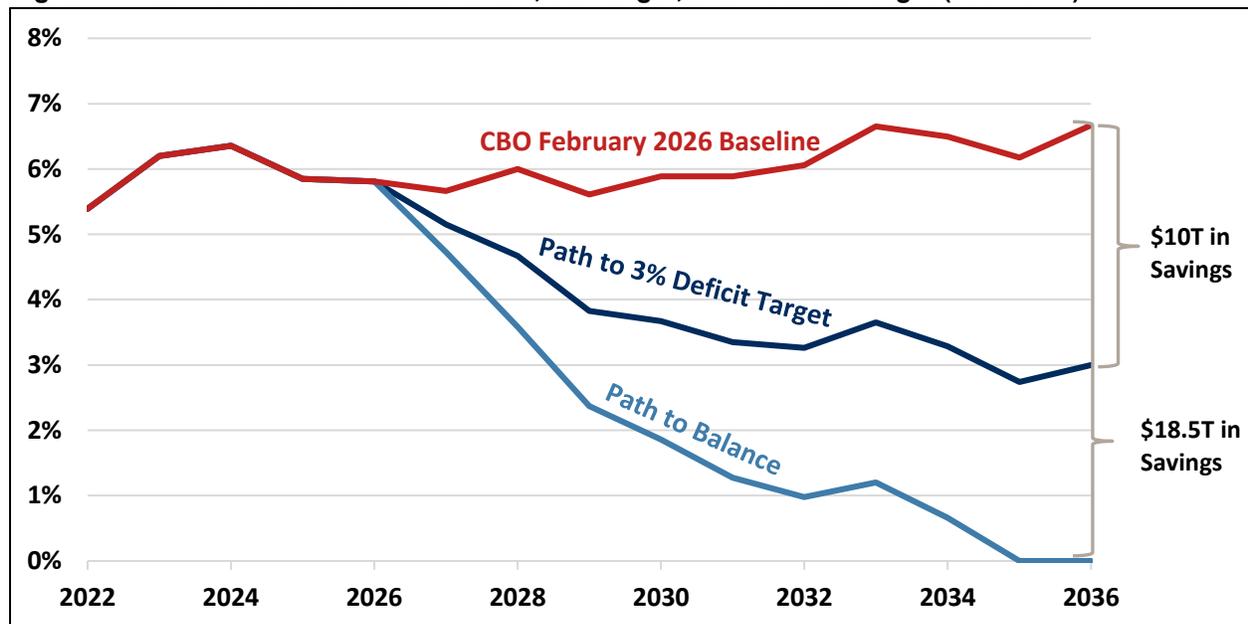
Fig. 5: Total Savings Needed to Meet Various Fiscal Goals

Fiscal Goal	FY 2027-2031	FY 2027-2036
Deficit Targets*		
4% of GDP	\$2.5 trillion	\$7.5 trillion
3% of GDP	\$3.5 trillion	\$10.0 trillion
2% of GDP	\$4.5 trillion	\$13.0 trillion
Primary Balance	\$2.5 trillion	\$7.0 trillion
On-Budget Balance	\$6.0 trillion	\$15.0 trillion
Full Budget Balance	\$7.0 trillion	\$18.5 trillion
Debt Targets		
110% of GDP	-	\$5.0 trillion
100% of GDP	\$3.5 trillion	\$9.5 trillion
90% of GDP	\$7.5 trillion	\$14.0 trillion
80% of GDP	\$11.5 trillion	\$19.0 trillion

Sources: Congressional Budget Office and the Committee for a Responsible Federal Budget. *Actual deficit reduction would vary dependent on savings path. Estimates above assume savings path consistent with offsets from the One Big Beautiful Bill Act (OBBBA) through 2032, extrapolated with additional policy extensions and assumptions through 2036. Figures are rounded to the nearest \$500 billion. Note: savings estimated prior to IEEPA tariff ruling.

The 3% of GDP target was supported by the Obama Administration and has the support of some in the Trump Administration, including Treasury Secretary Scott Bessent.

Fig. 6: Annual Deficits Under Current Law, 3% Target, and Balance Target (% of GDP)



Note: Estimates assume savings begin in FY 2027 and follow a path similar to offsets in OBBBA. Sources: Congressional Budget Office & Committee for a Responsible Federal Budget.



Bipartisan groups in both the House and Senate have also recently introduced resolutions calling for a 3% target. In January in the House, Representatives Bill Huizenga (R-MI) and Scott Peters (D-CA), co-chairs of the Bipartisan Fiscal Forum, were joined by Representatives Lloyd Smucker (R-PA) and Mike Quigley (D-IL), to introduce a [resolution](#) expressing the sense of the House that deficits should be reduced to 3% of GDP by the end of Fiscal Year 2030. So far, about 20 members of the House have [joined the proposal](#), including the chair of this committee and the entire leadership of the Bipartisan Fiscal Forum, and it was recently endorsed by the [Blue Dog Coalition](#).

Just last week, Senators Kevin Cramer (R-ND) and Angus King (I-ME), joined by Senators David McCormick (R-PA) and Gary Peters (D-MI), introduced a [similar resolution](#) in the Senate.

The momentum we are seeing in Congress is being echoed by a range of former government officials. In fact, about [40 former government officials](#) have supported the target, including past senators, Members of Congress, Office of Management and Budget directors, Congressional Budget Office directors, governors, and other senior budget and economic officials. This is a bipartisan fiscal target; the 3% deficit target has been supported by individuals who have served in both Democratic and Republican administrations.

Experts from across the political spectrum have expressed support for a 3% fiscal target. Since the 3% resolution was introduced, experts from the [Progressive Policy Institute](#), [Third Way](#), the [Bipartisan Policy Center](#), [the Economic Policy Innovation Center](#), and the [National Taxpayers Union Foundation](#) have all expressed support for the target, among others. These organizations do not agree on a lot of issues, but it is refreshing that they all agree on the importance of establishing a 3% fiscal target.

Think tanks of varying viewpoints have developed their own budgets that achieve a 3% deficit target over the years. For instance, the [Center for American Progress](#), [Economic Policy Institute](#), [Progressive Policy Institute](#), [Bipartisan Policy Center](#), [American Enterprise Institute](#), [American Action Forum](#), and [The Heritage Foundation](#) have all put together long-term federal budget plans that get deficits below 3% of GDP.

In addition to these policy experts, private-sector leaders such as [Warren Buffett](#) and [Ray Dalio](#) support this idea. Further, the [Washington Post](#), [Bloomberg](#), and [Las Vegas Review-Journal](#) Editorial Boards have argued that a 3% deficit would meaningfully improve our fiscal outlook.

Importantly, the 3% target need not be an ending point – it should also be a stepping stone toward achieving further fiscal improvements. Lawmakers could also consider alternative targets – for example, stabilizing the debt-to-GDP ratio or achieving primary balance. The precise fiscal target matters less than the agreement that there should be a fiscal goal and that Congress and the President should work toward achieving that goal.

Setting the goal is an important first step, but it must be followed with action to make it more than just talk. All budgets that are offered, including Congressional budget resolutions and the



President's budget, should be structured to meet the 3% target, without gimmicks or exaggerations. Budget enforcement should be redesigned to push toward the achievement of the fiscal goal. And – most importantly – policymakers should enact the spending reductions and/or revenue increases necessary to achieve the goal. There could and should be default mechanisms that are triggered if the targets are not met.

Reducing deficits to 3% of GDP will not be easy. It will require an aggressive effort to lower health care costs, secure the nation's federal trust funds, reduce spending, and increase tax revenue. But it is an achievable goal and a necessary one to put the budget on a sustainable path.

Conclusion

Thank you to the Members of this committee for highlighting the importance of setting a 3% of GDP deficit goal. It took decades to get us into this hole, and it will take a concerted effort to get out of it. While some may wish to focus on how we got here, the more productive approach would be to admit where we are and take steps towards reducing our high and unsustainable borrowing. Thank you again for hosting this hearing and for the opportunity to appear before the committee.



Appendix: Getting to 3%: An Open Letter to Lawmakers

On November 5, 2025, the Board of Directors for the Committee for a Responsible Federal Budget released an [open letter](#) calling on lawmakers to adopt a fiscal goal of bringing budget deficits down to 3% of GDP – enough to stabilize the national debt.



The United States is on a dangerous fiscal path, with debt approaching record levels as a share of the economy, annual interest costs exceeding what we spend on our national defense, and deficits approaching **\$2 trillion** per year. Failure to address our fiscal outlook will lead to slower income growth, higher interest rates, heightened national security risks, reduced fiscal space to address future emergencies, and increased risk of a fiscal crisis.

As Members of the Board of Directors of the Committee for a Responsible Federal Budget, we encourage all lawmakers to agree to a fiscal goal of reducing annual budget deficits to **3%** of gross domestic product (GDP), about half its current level of roughly **6%** of GDP. While significant policy changes will ultimately be needed to bring spending and revenue more closely in line, uniting around a meaningful and realistic fiscal target is an important first step toward stemming our out-of-control national debt.

“For the sake of our economy, our national security, and the livelihood of our children and grandchildren, we encourage you to agree to adopt a 3% deficit target... and put the federal budget on a sustainable path.”

There is no single “right” fiscal target or level of borrowing. Nonetheless, reducing deficits to 3% of GDP will be sufficient to put debt on a downward path relative to the economy and realistic enough to be achievable. More modest targets would leave the nation on an unsustainable path, while more ambitious targets such as a balanced budget are likely out of reach in the near term.

Establishing a 3% of GDP deficit target in the United States would align us with our European partners, who are expected to target deficits of 3% of GDP established by the 1992 Maastricht Treaty and most recently reaffirmed by the 2024 updates to the EU’s Stability and Growth Pact. The 3% GDP deficit target has also received bipartisan support in the U.S., including from Treasury Secretary Scott Bessent and others from the Trump Administration, as well as by the Obama Administration in the early 2010s. Furthermore, policy experts and business leaders also support reducing deficits to 3% of GDP.

For the sake of our economy, our national security, and the livelihood of our children and grandchildren, we encourage you to agree to adopt a 3% deficit target, or some similar target, and work with urgency toward enacting the necessary spending and revenue changes to achieve this target and put the federal budget on a sustainable path.

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