



Bipartisan Policy Center

Written Testimony of Jonathan W. Burks

Before the House Committee on the Budget Hearing: *The Best Metric to Reverse the Curse: A 3% Deficit-to-GDP Path to Fiscal Sustainability*

March 26, 2026

Chairman Arrington, Ranking Member Boyle, and distinguished members of the Budget Committee,

Thank you for inviting me to testify about the role a three-percent deficit target could play in improving the nation's fiscal health. My name is Jonathan Burks, and I am the executive vice president for economic and health policy at the Bipartisan Policy Center. BPC is a nonprofit think tank that brings together diverse perspectives to craft solutions that lower the everyday cost of living for families, expand opportunities, and strengthen the American economy. I am especially pleased to appear here today having served this committee as policy director over a decade ago. I only wish I came with better news.

The federal government's finances are in a parlous state. With the exception of four years of balanced budgets at the turn of the century, political leaders of both parties have for decades pursued unbalanced fiscal policies that have led to ever-growing levels of spending and stagnant levels of revenue. The result is unprecedented levels of publicly held debt at a time when the economy is relatively healthy; there is no national emergency; and until very recently, we were at peace abroad.

Federal Debt Held by the Public as Percent of GDP, FY1900-2035



Chart: Bipartisan Policy Center • Source: Congressional Budget Office



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This level of debt is especially disturbing given the challenges that the nation faces:

1. The population is rapidly aging, fueled both by falling birthrates—the total fertility rate was 1.62 in 2024, well below the replacement rate of 2.1—and rising life expectancy (now up to about age 84 for people living to age 65).^{1,2}
2. Health care costs are growing faster than the economy. Over the last two years for which we have full data, we've seen more than seven percent year-over-year growth—and the public sector is bearing the majority of those costs.³
3. Technological advancements in artificial intelligence, in particular, threaten disruptions to the workforce that could require significant time and resources to help Americans adjust to.
4. And international challenges are leading to higher levels of spending for national security. Whether it is the rise of a near-peer competitor or the continued challenges arising from the Middle East, the demand signal is growing for more spending on foreign assistance and the military.

Ideally, in such a moment, the federal government would have ample room for fiscal expansion to meet these challenges. Even on the eve of World War II, with the nation recovering from the Great Depression, publicly held debt stood at only 42% of the economy. Today we are at 100%. We are pushing into uncharted territory.

Today's hearing is focused on one promising idea to help us correct course. Establishing a binding fiscal rule that deficits cannot exceed three percent of annual economic output would roughly stabilize the debt as a share of the economy and alleviate some of the upward pressure high public debt levels are putting on interest rates, inflation, and the everyday cost of living for Americans. And the reforms necessary to achieve that deficit level would restore some of the fiscal flexibility policymakers will need if any of these challenges become crises.

¹ Melissa Schettini Kearney and Phillip B. Levine, "Is Low Fertility in High-Income Countries Here to Stay?" Center for Retirement Research at Boston College, March 3, 2026. Available at: <https://crr.bc.edu/is-low-fertility-in-high-income-countries-here-to-stay/>.

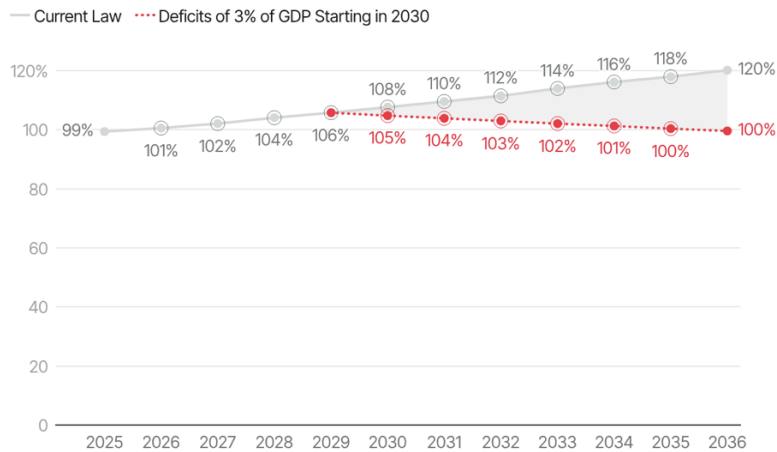
² Social Security Administration, Office of the Chief Actuary, "Actuarial Life Table: Period Life Table, 2022 (as used in the 2025 Trustees Report)." Available at: <https://www.ssa.gov/oact/STATS/table4c6.html>.

³ Micah Hartman, Anne B. Martin, David Lassman, and Aaron Catlin, "National Health Care Spending Increased 7.2 Percent in 2024 as Utilization Remained Elevated," *Health Affairs*, January 14, 2026. Available at: <https://www.healthaffairs.org/doi/10.1377/hlthaff.2025.01683>.



Reducing Deficits to 3% of GDP Would Stabilize the Debt

Debt held by the public as a percentage of GDP under two scenarios



Note: Alternative debt scenario assumes total deficits are maintained at 3% of GDP each year, including debt service. Assumes no macroeconomic effects between the two scenarios.

Chart: Bipartisan Policy Center • Source: Congressional Budget Office



Of course, stating a fiscal rule is simple. Designing one that works has proven somewhat more challenging historically. In August 2025, BPC published *Fiscal Rules: International Strategies for Managing Government Debt and Deficits*, an overview of a variety of fiscal rules that have been implemented by our international peers.⁴ The closest analogue to a three-percent rule is contained in the European Union's Stability and Growth Pact, which capped both deficits and public debt. When the Pact was new, it was effective in providing a political constraint on fiscal decisions still largely made by EU member states' national parliaments. However, as time passed and political will weakened, the Pact's formal enforcement mechanisms proved politically infeasible. And unfortunately, the EU has been unable to reestablish fiscal discipline since. Last June, the EU reprimanded one-third of its members for violating the Pact's three-percent deficit ceiling.

Closer to home, Congress enacted the Balanced Budget and Emergency Deficit Control Act of 1985, better known as Gramm-Rudman-Hollings (GRH). While this legislation continues to provide much of the statutory framework for the sequestration process, its original form was much more ambitious. GRH established a series of deficit targets with the goal of balancing the budget by 1991. However, honoring GRH's deficit targets would have required more aggressive fiscal tightening than was politically bearable, and in 1990 Congress abandoned the deficit-targeting approach as the road to balance.

The common thread connecting these experiences is the reality that political will is critical to success. There has to be a genuine consensus on the benefits of keeping deficits to modest levels if the rules are to be honored. I commend the Bipartisan Fiscal Forum, led by Co-Chairmen Huizenga and Peters, as well as Congressmen Smucker and Quigley and additional

⁴ Arianna Fano and Kristin Kharrat, "Fiscal Rules: International Strategies for Managing Government Debt and Deficits," Bipartisan Policy Center, August 6, 2025. Available at: <https://bipartisanpolicy.org/issue-brief/fiscal-rules-international-strategies-for-managing-government-debt-and-deficits/>.



members of this committee, for their leadership in this respect. You are doing the hard work of forging consensus across the political divide, and you deserve credit for the effort.

Furthermore, Mr. Chairman, hearings like today's serve an important purpose in bringing to light the very real harms Americans are facing from excessive government debt. Our growing debt puts upward pressure on interest rates, which in turn impact every corner of the economy.⁵ Elevated mortgage rates are putting homeownership out of reach for too many Americans, while the increased cost of debt makes it harder for new housing developments to be profitable, for child care centers to cover operating costs, and for new energy infrastructure or private health care investments to make financial sense.^{6,7,8,9}

As our debt grows, the risks compound. Net interest spending on the national debt now consumes nearly one-fifth of all tax revenue and represents the second-largest category of spending after Social Security. A rising stock of debt makes the budget more sensitive to interest rate shocks and increases the likelihood our lenders could lose faith in the federal government's ability to repay our debt without high inflation. The warning signs are already there: All three of the major credit ratings agencies have downgraded the federal government's creditworthiness.¹⁰ And while the dollar and U.S. Treasury bonds have long enjoyed a central role in the global economy, a collapse in investors' confidence could have sudden and severe consequences that would be difficult to reverse.^{11,12}

We need to actively pursue solutions, which is why I also commend this committee for its historic support for establishing a bipartisan fiscal commission. Building on the legacy of prior

⁵ Caleb Quakenbush and Julia Pelletier, "Why the National Debt Matters for the U.S. Bond Market and the Economy," Bipartisan Policy Center, September 10, 2025. Available at: <https://bipartisanpolicy.org/explainer/why-the-national-debt-matters-for-the-u-s-bond-market-and-the-economy/>.

⁶ Francis Torres, Andrew Lautz, and Caleb Quakenbush, "Why the National Debt Matters for Housing," Bipartisan Policy Center, October 25, 2025. Available at: <https://bipartisanpolicy.org/explainer/why-the-national-debt-matters-for-housing/>.

⁷ Tristan Stein, Brittany Walsh, Emily Wielk, and Caleb Quakenbush, "Why the National Debt Matters for the American Workforce," Bipartisan Policy Center, September 4, 2025. Available at: <https://bipartisanpolicy.org/explainer/why-the-national-debt-matters-for-the-american-workforce/>.

⁸ John Jacobs and Frederick Hernandez, "Why the National Debt Matters for the Energy Sector," Bipartisan Policy Center, December 5, 2025. Available at: <https://bipartisanpolicy.org/explainer/why-the-national-debt-matters-for-the-energy-sector/>.

⁹ Andrew Patzman and Caleb Quakenbush, "Why the National Debt Matters for Rising Health Care Costs," Bipartisan Policy Center, November 13, 2025. Available at: <https://bipartisanpolicy.org/explainer/national-debt-rising-health-care-costs/>.

¹⁰ Shai Akabas, Frederick Hernandez, and Caleb Quakenbush, "Moody's Downgrade: The Warning Signs Are Flashing," Bipartisan Policy Center, May 22, 2025. Available at: <https://bipartisanpolicy.org/article/moodys-downgrade-the-warning-signs-are-flashing/>.

¹¹ Upamanyu Lahiri and Erin Eckman, "What's Behind the U.S. Dollar's Dominance and Why It Matters," Bipartisan Policy Center, December 18, 2025. Available at: <https://bipartisanpolicy.org/explainer/whats-behind-the-u-s-dollars-dominance-and-why-it-matters/>.

¹² G. William Hogland, Caleb Quakenbush, and Aaron Till, "Foreign Investors Hold a Shrinking Share of U.S. Debt," Bipartisan Policy Center, October 11, 2025. Available at: <https://bipartisanpolicy.org/article/foreign-investors-hold-a-shrinking-share-of-u-s-debt/>.



efforts like the Domenici-Rivlin Commission that we hosted at BPC, such a commission would be a substantial step in the right direction, bringing together bipartisan, bicameral negotiators to both engage the public and present Congress with an actionable plan to stabilize the debt.

One final element that could help create the political consensus needed for tackling our deficit problem is a return to the regular, annual adoption of budget resolutions. While the process is never easy—and returning to the pre-2002 norm of bipartisan resolutions would make it harder—there is simply no substitute for the difficult negotiations and compromises that such an achievement requires.

Thank you for the opportunity to share my views, and I look forward to your questions.

