A PUBLIC PROPOSAL FOR FISCAL RESPONSIBILITY

The American Fiscal Stability Plan

A ten-year path to reduce publicly held federal debt below 100% of GDP without cutting lawful entitlement benefits

THE FRAMEWORK $5.5-$6.0 trillion in direct spending restraint + a modeled $4.0 trillion in interest savings = approximately $9.5-$10.0 trillion of total improvement by 2036.

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A STATEMENT TO THE AMERICAN PUBLIC

We can change the direction of the debt without breaking our promises

I have spent my career helping families, businesses, and institutions make long-term decisions under uncertainty. The federal government is different from a household, but one principle still applies: when obligations compound faster than the resources available to meet them, waiting makes every future choice harder and more expensive.

This proposal begins with a simple objective: reduce federal debt held by the public from its current level of roughly 101% of gross domestic product to below 100% by 2036. It does not promise a balanced budget in ten years. It does not assume that economic growth alone will solve the problem. And it does not ask current Social Security, Medicare, Medicaid, or other lawful entitlement beneficiaries to absorb benefit reductions.

Instead, I propose a decade of disciplined spending caps outside lawful entitlement benefits, aggressive payment integrity, independent measurement, and a binding requirement that every realized interest saving reduce the debt rather than finance a new commitment.

> **MY COMMITMENT** No lawful entitlement benefit reduction is included in the savings framework. No projected interest saving may be spent in advance. Every figure must be independently scored and reported to the public.

The plan at a glance

Measure	Current-law trajectory	Proposed 2036 outcome
Debt held by the public	101% of GDP in 2026; 120% projected in 2036	Below 100% of GDP
Direct spending restraint	No comparable binding ten-year reduction	$5.5-$6.0 trillion below baseline
Interest effect	$1.0T in 2026 rising toward $2.1T in 2036	$4.0T ten-year modeled scenario; only realized savings count
Lawful entitlement benefits	Paid under current law	Benefit formulas and eligibility protected by this plan
Enforcement	Annual appropriations and ad hoc controls	Statutory caps, automatic correction, public scorecard

Baseline: Congressional Budget Office, The Budget and Economic Outlook: 2026 to 2036. Plan figures are targets, not an official forecast.

Five governing principles

- Protect lawful entitlement benefits. The plan does not reduce Social Security, Medicare, Medicaid, veterans' benefits, or other mandatory benefits owed to eligible recipients.
- Share the burden across defense and nondefense discretionary spending. A credible plan cannot exempt half the controllable budget.
- Count savings once. No agency, commission, or Administration may claim the same procurement, fraud, or consolidation saving in more than one category.
- Do not spend hoped-for interest savings. Interest savings enter the debt-reduction ledger only after Treasury records them and CBO validates the comparison with baseline.
- Protect the economy from a fiscal shock. The reductions ramp over time, with a limited recession and national-emergency safety valve followed by a defined catch-up schedule.

THE ARITHMETIC

The target requires approximately $9.5-$10.0 trillion of improvement

CBO projects debt held by the public at approximately $56 trillion in 2036, equal to 120% of projected GDP. That ratio implies nominal GDP of roughly $46.7 trillion. Holding debt to just under 100% of that economy requires debt of approximately $46.5 trillion or less.

2036 calculation	Amount
CBO projected debt held by the public	$56.0 trillion
Implied 2036 GDP	$46.7 trillion
Debt consistent with slightly below 100% of GDP	Approximately $46.5 trillion
Required improvement versus baseline	**Approximately $9.5 trillion**
Direct spending reduction target	$5.5-$6.0 trillion
Modeled interest-saving scenario	$4.0 trillion

Amounts are rounded. GDP and the debt target will change with economic performance; independent scoring determines the required safety margin.

What the $4 trillion interest assumption means

The $4 trillion is not a guaranteed dividend. It is a modeled ten-year case combining two effects: lower market interest rates on refinanced Treasury debt and a smaller stock of debt on which interest must be paid. CBO estimates that a 0.10 percentage-point change in Treasury rates changes cumulative deficits by roughly $379 billion over ten years in the opposite direction, and that most of the effect comes through net interest costs. That rule of thumb is approximately symmetrical, but CBO cautions that large changes require full modeling.

For public accounting, the plan therefore separates direct program reductions from interest savings. Congress must enact the direct savings. Treasury and CBO then measure the interest result. If realized interest savings fall short of the modeled path, the plan automatically increases future discretionary restraint up to the $6 trillion direct-saving ceiling or extends the deadline.

NO DOUBLE COUNTING A lower interest bill caused by less debt is counted as interest savings, not again as a program cut. The public scorecard reconciles the two ledgers every year.

TEN-YEAR IMPLEMENTATION

A measured ramp, not another 5% cut every year

The government should not attempt to remove an additional 5% of the entire budget every year. With entitlements and debt service protected, that would consume nearly all discretionary government within five years. The workable approach is a growing annual reduction relative to CBO's baseline, reaching $700 billion by 2036 and totaling $5.5 trillion over the decade.

CBO projects cumulative deficits of $24.4 trillion from 2027 through 2036. A $9.5 trillion improvement would reduce that total substantially, but the government would still run deficits and nominal debt would still grow. The achievement is stabilizing the debt ratio so the economy can grow faster than the debt after the transition.

Fiscal year	Direct spending below baseline	Modeled interest savings	Total improvement
2027	$350B	$75B	$425B
2028	$400B	$150B	$550B
2029	$450B	$225B	$675B
2030	$500B	$300B	$800B
2031	$550B	$350B	$900B
2032	$600B	$400B	$1,000B
2033	$625B	$475B	$1,100B
2034	$650B	$550B	$1,200B
2035	$675B	$675B	$1,350B
2036	$700B	$800B	$1,500B

Fiscal year	Direct spending below baseline	Modeled interest savings	Total improvement
10-year total	**$5.5T**	**$4.0T**	**$9.5T**

Interest figures are an illustrative path calibrated to the $4.0 trillion scenario. They are not appropriations and are not counted until realized.

Annual checkpoints

1. By January 15: CBO publishes an updated baseline and a plan score using the latest GDP, debt, inflation, and interest-rate assumptions.
2. By February 1: the President submits a budget at or below the statutory spending caps, with every proposed reduction identified by budget account.
3. By April 15: Congress adopts function-level allocations consistent with the direct-saving target.
4. Quarterly: Treasury reports weighted average borrowing costs, debt maturity, new issuance, and realized net interest relative to baseline.
5. By December 31: GAO audits savings, tests for double counting, and publishes missed targets and corrective actions.

Milestone test

Milestone	CBO baseline	Plan target
2026 starting point	101%	101%
2030 checkpoint	108%	Approximately 102%
2036 objective	120%	Below 100%

CBO baseline values are published milestones. Plan values are illustrative targets and must be re-estimated annually.

WHERE THE DIRECT SAVINGS COME FROM

$5.5 trillion cannot come from waste alone

The public deserves honesty: eliminating foreign aid, reducing travel, selling empty buildings, and attacking fraud are worthwhile, but they are not enough. CBO projects discretionary outlays of roughly $1.9 trillion in 2026. Reaching the target without cutting lawful entitlement benefits requires sustained, visible reductions to both defense and nondefense appropriations.

Savings envelope	Ten-year target	Implementation focus
Defense discretionary caps	$2.0T	Prioritize missions, force structure, procurement, basing, weapons portfolios, and overhead.
Nondefense discretionary caps	$2.8T	Consolidate grants and programs; reduce administrative layers, real estate, subsidies, and lower-priority activities.

Savings envelope	Ten-year target	Implementation focus
Payment integrity	$0.5T	Prevent and recover erroneous payments while preserving every lawful benefit.
GAO-identified duplication and cost savings	$0.2T	Implement independently scored spending-side recommendations; no revenue enhancements counted.
Total direct savings	**$5.5T**	**Minimum target; rises toward $6.0T if interest savings or GDP underperform.**

Targets are mutually exclusive scoring envelopes. CBO and GAO must prevent overlap between cap savings, payment integrity, and duplication recommendations.

1. Defense: $2.0 trillion below baseline

Defense must remain capable of deterring war and protecting the nation, but national security is not strengthened by paying too much for the wrong capability. CBO has analyzed a defense-budget option that would reduce funding by about $1.1 trillion over ten years. This proposal goes further and would require strategic choices, not only efficiency claims.

- Conduct a force-structure review tied to the National Defense Strategy and retire systems that no longer match priority threats.
- Use multiyear procurement only when independently demonstrated to lower unit cost; cancel persistently over-budget programs after a defined breach threshold.
- Create a permanent base-realignment process with local transition support and full public cost accounting.
- Reduce headquarters, duplicative commands, consulting layers, and noncombat administrative overhead before reducing readiness accounts.
- Require the Department of Defense to produce auditable account-level savings before receiving credit against the cap.

2. Nondefense discretionary programs: $2.8 trillion below baseline

The nondefense reduction is large and cannot be accomplished through federal workforce attrition alone. Congress must distinguish national responsibilities from activities that states, localities, private organizations, or the market can perform more effectively.

- Consolidate overlapping economic-development, workforce, education, and community-grant programs around measurable outcomes.
- Replace automatic grant continuation with competitive renewal and terminate programs that fail independent evaluations.
- Dispose of or consolidate underused federal real estate and require agencies to budget the full cost of space.

- Recompete major service contracts, standardize purchasing, and publish unit-cost benchmarks across agencies.
- Protect core safety functions - courts, food and drug safety, air traffic control, disaster response, and essential law enforcement - through explicit minimum-service standards rather than blanket exemptions.

3. Payment integrity: $500 billion without reducing lawful benefits

GAO reported approximately $186 billion in estimated improper payments in fiscal year 2025, about 82% of which were overpayments. The plan targets an average reduction of roughly $50 billion per year through verified eligibility, provider screening, data matching, prepayment controls, recovery of overpayments, and better measurement. An improper payment is not automatically fraud, and no agency receives credit for withholding a lawful payment.

4. GAO recommendations: $200 billion

GAO's 2026 work identifies open matters and recommendations that could produce approximately $132-$251 billion in future financial benefits. This plan uses a $200 billion spending-only target, subject to case-by-case CBO scoring. Revenue enhancements are not counted toward the spending target.

PROMISES AND TRADEOFFS

What 'do not touch entitlements' means in this plan

The plan protects lawful benefits and eligibility rules. It does not reduce a retiree's Social Security check, change Medicare or Medicaid eligibility, reduce veterans' benefits, or alter another statutory benefit formula for the purpose of meeting the savings target.

Protection of a lawful benefit does not mean accepting an incorrect payment. Payment integrity verifies that the right person or provider receives the right amount at the right time. Savings arise from preventing or recovering mistakes, duplicate payments, unsupported claims, and ineligible payments - not from denying benefits to eligible people.

A CLEAR LINE No benefit cut. No eligibility cut. No premium increase is assumed. Administrative controls may stop an erroneous payment, but agencies must protect due process and timely access for eligible recipients.

What the plan does not protect

- Every existing federal program, grant, office, contract, facility, or weapons system.
- Automatic annual increases for discretionary accounts regardless of results.
- Emergency designations used to avoid ordinary budget discipline.
- Savings claims that are not measurable, auditable, and attributable to a specific budget account.
- Tax cuts or new spending financed with the debt reduction achieved under the plan.

The public costs must be acknowledged

A reduction of this size would affect employment, contracts, grants, construction, research, defense procurement, and services. Some responsibilities would shift toward state and local governments or the private sector. Those shifts are not automatically savings for society, so each proposal must publish both the federal budget effect and the expected service or cost transfer.

The plan therefore requires agencies to publish an impact statement for every reduction greater than $1 billion annually: affected populations, workforce consequences, state and local effects, implementation lead time, and the performance measure used to determine whether the mission is still being met.

Economic safety valve

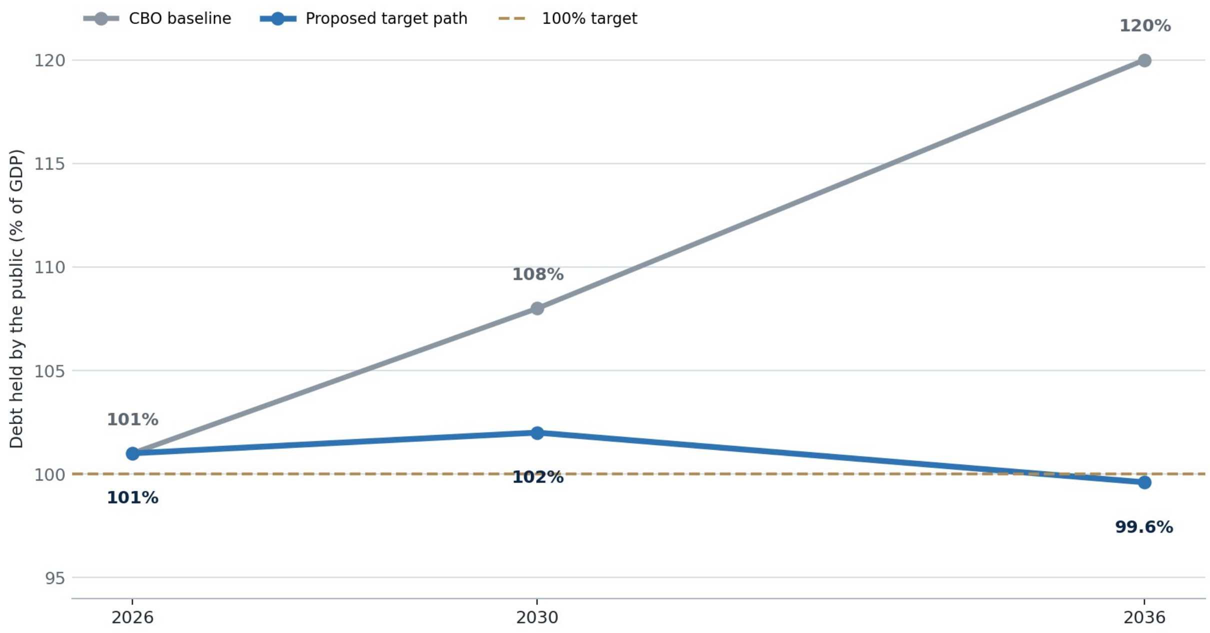
Congress may temporarily slow, but not permanently waive, scheduled reductions if the economy enters a recession, unemployment rises sharply, or the nation faces a declared war or major disaster. A waiver requires a three-fifths vote, identifies the cost, expires after twelve months, and includes a two-year catch-up plan. Emergency spending must be narrowly tailored and separately displayed.

WHY FISCAL CREDIBILITY CAN LOWER INTEREST COSTS

The bond market would price the plan before all the cuts occur

Treasury rates reflect many forces: inflation, Federal Reserve policy, economic growth, global demand for safe assets, and the expected supply of federal debt. A credible fiscal plan would not control those variables, but it would reduce one important source of pressure - the amount of debt investors must absorb and the risk that interest costs compound without limit.

The Federal Reserve would not lower its policy rate merely because Congress announced a plan. It would respond to inflation and employment. Long-term Treasury yields, however, could adjust immediately if investors believe future borrowing will be materially lower. Mortgage and business borrowing rates could then benefit, although they also depend on credit and market spreads.



Debt held by the public: CBO baseline versus the proposed target path

CBO publishes the 2026, 2030, and 2036 baseline milestones. Plan values are illustrative targets derived from the savings framework and are not a CBO forecast.

How interest savings are credited

1. Treasury reports actual net interest outlays and the weighted average rate on marketable debt.
2. CBO estimates the counterfactual interest cost using the enacted-policy baseline and actual macroeconomic conditions.
3. GAO audits the method and confirms that savings caused by lower debt are not also claimed as program savings.
4. The verified difference is applied to debt reduction and cannot expand an agency's spending cap.
5. If the cumulative result trails the modeled $4 trillion path, the public dashboard shows the shortfall and the direct-saving target adjusts.

THE OUTCOME, NOT THE PROMISE A lower interest bill is a benefit of fiscal credibility, not an appropriation. The plan succeeds only if debt falls below 100% of GDP under independent scoring, whether the interest contribution is $4 trillion, less, or more.

The American Fiscal Stability Act

The proposal should be enacted as a single statute establishing the debt objective, direct-saving schedule, entitlement-benefit protection, enforcement mechanism, public reporting, and limited emergency rules. Program-level choices remain with elected officials, but the aggregate target is binding.

Required statutory components

- Debt objective: debt held by the public below 100% of GDP by the end of fiscal year 2036, based on CBO's final score.
- Direct-saving floor: at least $5.5 trillion over 2027-2036, automatically rising toward $6.0 trillion if the combined target falls short.
- Two discretionary caps: separate defense and nondefense limits so neither side can transfer its entire responsibility to the other.
- Entitlement-benefit protection: no scoring credit for reducing lawful benefits, eligibility, or premiums.
- Debt-reduction lockbox: verified savings cannot finance tax reductions, new mandatory commitments, or discretionary cap increases.
- Automatic correction: if enacted appropriations exceed a cap, an across-the-board reduction occurs within the relevant category unless Congress replaces it with equal scored savings.
- Sunset and extension: the framework expires after the target year only after CBO certifies that the debt ratio is below 100% and projected not to rise above it during the following five years.

Independent Fiscal Review Board

A temporary, bipartisan board would translate the statutory caps into a menu of program-level options for Congress. It would include budget experts, former governors, defense and domestic-policy specialists, and representatives of taxpayers and benefit recipients. CBO scores the options; GAO evaluates execution. The board cannot change entitlement benefits, raise taxes, or enact policy. Its package receives an expedited up-or-down vote, and Congress may substitute an equal or greater independently scored package.

Public dashboard

Measure	Reported by	Frequency	Success test
Direct savings versus baseline	CBO / OMB	Quarterly	On or above annual schedule
Debt held by the public	Treasury	Monthly	On path to <100% of GDP
Net interest outlays	Treasury / CBO	Quarterly	Verified versus baseline
Improper payments	Agencies / GAO	Annual	Declining without lawful-benefit delays
Service and workforce effects	Agencies / GAO	Annual	Minimum-service standards met
GDP, inflation, unemployment	BEA / BLS / CBO	Quarterly	Safety valve only when triggered

RISKS, TESTS, AND ACCOUNTABILITY

What could prevent the plan from working

Risk	Required response
Interest rates do not decline as modeled	Increase direct savings toward $6.0T, extend the timetable, or use stronger growth-enhancing reforms; never spend the projected interest dividend.
Spending cuts weaken GDP more than expected	Phase reductions, protect high-return public investment where evidence supports it, activate the temporary safety valve, and recalculate the debt-ratio path.
Savings shift costs rather than remove them	Publish state, local, household, and private-sector cost transfers alongside the federal score.
Congress relies on gimmicks	Exclude timing shifts, asset sales without lasting savings, unspecified future cuts, and double-counted rescissions from the score.
National security or disaster needs change	Use the limited emergency process, publish the cost, and restore the path through a defined catch-up schedule.
Entitlement promises become financially unstable	Address their long-term solvency in a separate transparent process; do not hide benefit changes inside this discretionary plan.

The tests I would ask the public to apply

1. Is the saving tied to a named budget account and a specific year?
2. Has CBO scored it, and has GAO confirmed it was actually achieved?
3. Does the plan protect lawful entitlement benefits while preventing erroneous payments?
4. Are defense and nondefense spending both contributing?
5. Are the economic and service consequences disclosed before the vote?
6. Is every verified dollar reducing debt rather than financing a new promise?

A practical national objective

The United States does not need to eliminate all federal debt, and it should not attempt to balance the budget overnight. It does need to stop allowing debt and interest costs to outgrow the economy indefinitely. A target below 100% of GDP is understandable, measurable, and achievable only with real choices.

This proposal asks elected officials to make those choices openly. It protects lawful entitlement benefits, but it does not pretend every discretionary program can be protected. It treats lower interest costs as an earned result, not a promise. And it gives the public a scorecard that cannot be satisfied by slogans.

I offer this framework as a starting point for serious, nonpartisan debate. The numbers should be challenged, independently scored, and improved. The essential commitment should remain: set a clear debt target, enact the savings needed to reach it, protect lawful benefits, and report the truth every year.

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SOURCES AND METHODOLOGY

Official sources

1. Congressional Budget Office, The Budget and Economic Outlook: 2026 to 2036
2. CBO Director's Statement on the Budget and Economic Outlook: 2026 to 2036
3. CBO, How Changes in Economic Conditions Might Affect the Federal Budget: 2026 to 2036
4. CBO, Answers Following the March 2026 Fiscal Responsibility Hearing
5. CBO, An Analysis of Spending Proposals in the President's 2027 Budget
6. CBO, Reduce the Department of Defense's Annual Budget
7. U.S. Government Accountability Office, 2026 Duplication & Cost Savings
8. GAO, Agencies' Estimated Improper Payments Increased to $186 Billion in FY 2025
9. Freddie Mac, Primary Mortgage Market Survey archive

Methodology and limitations

- All dollar figures are nominal and rounded. The ten-year window is fiscal years 2027-2036.
- The $5.5 trillion direct-saving schedule is a policy target relative to CBO's February 2026 baseline, not a CBO score of specific legislation.
- The $4 trillion interest result is an illustrative scenario combining lower rates and lower debt. CBO's 0.10 percentage-point rate sensitivity is used as an anchor, but a full dynamic score could differ materially.
- The 2036 debt objective uses debt held by the public, the measure CBO generally uses to assess federal borrowing's effect on financial markets. It is not gross federal debt.
- Lower spending can reduce near-term demand and GDP, which can temporarily make the debt ratio harder to improve. Lower debt can support private investment and growth over time. The net result must be modeled annually.
- No source cited here endorses this proposal. Official sources provide baseline data, analytical methods, and policy-option estimates.

Author note

Robert G. Carpenter is President & CEO of Baltimore-Washington Financial Advisors, Inc. This proposal reflects his personal policy views and is offered for public discussion. It is not an official government forecast, legal or tax advice, investment advice, or a recommendation to buy or sell any security.