

Congressman: Here's how we put America on a path to fiscal balance

Economists say a 3% ratio of deficit to GDP will create a virtuous cycle.

The sirens are blaring. Our government now spends more than \$1 trillion a year on interest payments just to service our national debt, which will surpass \$40 trillion this year. Ray Dalio, among the most successful investors and global macroeconomic thinkers of our time, warns our economy is barreling toward a “debt-induced heart attack.” As our fiscal condition worsens, Washington is busy staging shutdowns and showdowns while the arteries of our economy constrict in front of our very eyes.

Instead of spending and borrowing our way to cardiac arrest, this moment calls for medicine. Congress needs to achieve meaningful deficit reduction, but without a universal standard, “meaningful” tends to mean whatever is politically expedient in the moment.

Every fiscal conservative's goal is a balanced budget — rightly so. When I came to Congress in 2017, balancing the budget required identifying \$5.8 trillion in savings. Ambitious, but achievable. Today, that figure has nearly tripled to over \$16 trillion. The goal posts keep moving because Washington keeps spending.

While Washington may not yet have a plan, there is a clear, economic life-saving target we should pursue: reducing federal budget deficits to 3% of GDP. When nominal economic growth averages around 3% to 4%, deficits held near that level allow debt to stabilize relative to the size of the economy, rather than outpace it. That is why economists and fiscal watchdogs resoundingly point to the 3% threshold as a useful benchmark for fiscal sustainability. Framed this way, the debate stops being about unrealistic ambitions and abstract promises of fiscal responsibility and focuses instead on reasonable debt targets and practical strategies to achieve them.

Opinion

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Treasury Secretary Scott Bessent endorsed the 3% standard shortly after President Trump was re-elected. Dalio has made the case for it. So has Warren Buffett. A bipartisan group of House lawmakers has introduced a resolution limiting deficits to 3% of GDP by 2036 as our fiscal north star. On Thursday, the House Budget Committee is leading the effort to achieve this benchmark and will examine a healthy process for achieving the 3% deficit-to-GDP target by fiscal year 2036.

In my experience, when you use the wrong measures of success, you focus on the wrong strategies. If you set impractical goals, you end up going nowhere. It's time for a paradigm shift toward implementing a pragmatic and objective approach to framing the fiscal discipline necessary to avoid an economic cardiac arrest.

We have our work cut out for us. The federal deficit has not fallen below 3% of GDP since 2015. According to current projections, it will continue to exceed 5% of GDP every year for the next three decades. Throughout our history, deficits this large have only appeared in the shadow of wars and economic collapse. If we continue at this dangerous level, debt will grow faster than the economy and interest costs will more than double over the next decade, exceeding what we spend on Medicare by 2028.

Bringing deficits down to 3% of GDP would put the nation on much stronger fiscal footing — bolstering bond market confidence, lowering borrowing costs and kicking into gear a virtuous cycle of reduced interest payments and increased private sector investment.

Restoring responsible levels of borrowing will not be easy. It will depend on a responsible approach to identifying trillions in savings in the coming years. But the path forward is clear: a combination of discretionary spending discipline, pro-growth economic policies and entitlement reform. Last year, Congress took historic action to eliminate \$1.6 trillion in waste, fraud and abuse — twice as much as any previous Congress in history. That was an important start, but it will take more to achieve the 3% goal by 2036.

Most importantly, this path to stability preserves our ability to control our own fiscal destiny. The alternative is stark: a sovereign debt crisis where the choices are no longer ours to make. We have seen what that looks like in countries that waited too long — painful, chaotic austerity imposed not by elected representatives accountable to taxpayers, but by bond markets and international creditors. America should never put itself in that position.

We cannot reverse our curse of public debt overnight. But we can unclog the arteries, prove to taxpayers — and to the world — that we are still capable of living within our means, and leave our children and grandchildren a country worth inheriting.

History won't ask which party created the problem. It will ask which leaders finally had the courage to fix it.

Jodey Arrington, R-Lubbock, chairs the U.S. House Committee on the Budget.

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