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Roundtable Discussion
“Reducing America’s National Debt:
Rooting Out Federal Waste, Fraud, and Overregulation”

The Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs
Committee on Oversight and Government Reform
U.S. House of Representatives
May 14, 2026

¹ The views expressed in this document are mine alone and do not reflect views held by the Fiscal Lab on Capitol Hill or its Board of Directors.

While there are few points of policy consensus in today's fraught political environment, there is one that appears to be gaining cohesion: the federal government is in a frightful mess from a fiscal standpoint. The Congressional Budget Office, most likely the definitive voice on fiscal matters for congressional policymakers, announced in its [*Budget and Economic Outlook: 2026-2036*](#) last February that

In CBO's baseline budget projections, the federal deficit equals \$1.9 trillion this year and averages \$2.4 trillion per year from 2027 to 2036. The cumulative deficit over that period totals \$24.4 trillion....Deficits also generally increase in relation to the size of the economy, equaling or exceeding 5.6 percent of gross domestic product (BDP) in each year and reaching 6.7 percent of GDP in 2036. Over the 2027-2036 period, deficits average 6.1 percent. By comparison, deficits have averaged 3.8 percent of GDP over the past 50 years. (p. 9)

CBO [*argued in April*](#) of this year that these estimates could easily get worse if labor productivity or labor force growth slowed, if interest rates rose, or if rising interest rates and rapid inflation occurred simultaneously. The Office provided separate projections for each possibility, and the growth in additional, cumulative deficits for the period 2027 through 2036 ranged from \$166 billion to \$379 billion.

These projected deficits are driven by the growth in outlays rising well above the growth in revenues. CBO expects total federal revenues to expand from 17.5 percent of GDP to 17.8 over the forecast window. Revenues have averaged 17.3 percent of GDP since 1976. Outlays, on the other hand, grow from 23.3 percent in 2026 to 24.4 in 2036, after averaging 21.2 percent of GDP between 1976 and 2025. The average share of outlays over the forecast window is 13 percent higher than the average since 1976.

Within outlays, the single greatest contributor to growing deficits are mandatory programs: Social Security, federal health care programs, and net interest payments. Mandatory outlays are estimated to equal 17.5 percent of GDP in 2026 and grow to 19.6 percent by 2036. While the percentage growth of total outlays (which contains discretionary spending) over the forecast window is 4.7 percent, the growth rate of mandatory spending is 2.6 times greater at 12 percent. Again, mandatory spending is driving the deficits.

While individual members of the House and Senate have used strong rhetoric to warn their colleagues and the citizenry generally about the unsustainable fiscal path, Congress's record on fiscal issues points clearly in the opposite direction. Record or near record deficits continue to be incurred, and, as I will note below, financial markets are beginning to discount their exposure to the dangerous financial future inherent in rapidly expanding federal debt.

Clearly, leadership is needed on fiscal issues, and the House Committee on Oversight and Government Reform is well situated to provide it. Too often we believe that

changing the trajectory of deficits requires nearly impossible program reform, like rebuilding Social Security or fundamentally reforming health care. Sadly, the difficulty in taking these big steps toward sound fiscal outcomes is sometimes used as an excuse to do nothing at all. Real leadership now amounts to taking consistent actions, however small, to show financial markets and our skeptical public that Congress is intent on change.

The members of the Oversight Committee already sponsor several bills that would address wasteful spending, fraudulent use of public funds, and economically burdensome regulation. Some of these measures are listed in the Appendix to my remarks. For example, H.R. 8464, the Stopping Fraudulent Payments Act, would stop or suspend payments suspected of being fraudulent by establishing a system of indicators that agency heads and Treasury officials could use to protect the public from excessive spending due to fraud. Another bill, H.R. 8312, the Fraud Prevention and Accountability Act, would strengthen Treasury's fraud prevention processes, provide new and additional data for identifying fraud, and create a government wide Inspector General for Fraud, Accountability and Recovery. These are only two legislative initiatives that this Committee has pursued, thus indicating to anyone who is looking for evidence of fiscal prudence that it is not entirely dead in Washington.

That said, why should we care that the public and, especially, financial markets see little signs of fiscal life? Let me offer several reasons.

First, financial markets and the engaged public expect the Congress to be fiscally prudent. This expectation stems from a very long tradition of protecting the nation's fiscal health, a tradition that I call the Hamiltonian Norm. This norm, first established by Alexander Hamilton during the debt repayment crisis of the 1790s, states that Congress will never act over the long term in such a way as to endanger the value of the country's currency or the convertibility of its public debt.

Thus, when Congress spends too much in one period, it traditionally follows later with spending reductions or revenue increases. When it cuts revenues too much, it comes back and raises revenues. In short, Congress tries to keep a certain ratio between its inflows and outflows that assures bond holders and those engaged in commerce that they need not worry about the convertibility of their bonds into other assets or the value of the country's currency when conducting commercial transactions. This Norm allows the Federal Reserve to pursue a pro-growth monetary policy that supports strong employment at low inflation rates. This Norm allows investors to confidently calculate returns over a long period, thus assuring more commitments to building long-term returns than short-term earnings. In short, the Norm provides a solid foundation for economic growth.

Sadly, recent Congresses have abandoned the Hamiltonian Norm with little prospect of returning to it. This abandonment has all but relegated the Federal Reserve to accommodating Congress's spending but buying trillions in public debt from the

Treasury. Monetary policy has been severely constrained by this growing fiscal dominance, and the public has suffered from less-than-optimal economic growth.

Thus, the second reason we should care is precisely the economic disease that keeps Fed Chairs up at night: rapid and sustained price inflation and speculative asset bubbles. While short-term inflation can erupt from sudden price shocks stemming from weather events, pandemics or foreign emergencies, sustained inflation can be fueled by policies that intentionally increase aggregate demand. Often this type of price inflation occurs when Congress enacts programs that direct large sums of money to households and businesses in the hopes that these economic units will spend those funds, thus lifting the economy out of recession or, as in the case of the pandemic, out of an acute economic seizure. If the Federal Reserve fails to wring the demand stimulus out of the economy through interest rate hikes and other monetary policy moves, then inflation can take hold, as it did in the summer of 2021. Unfortunately, those who suffer the most from inflation are those in the bottom 50 percent of the income distribution. Indeed, this large portion of the U.S. population has yet to see its purchasing power return to pre-inflation levels.

If inflation is not enough to prompt Congress to greater prudence, then the growing public debt's effects on economic growth might turn heads. Economists have long documented the effects of large and rapidly growing public debt on a country's economic growth rate. From Alberto Alesina to Kenneth Rogoff and Carmen Reinhart, from the Bank of International Settlements to the Congressional Budget Office, economists have argued that high and rapidly rising debt leaches funds from private investment and raises the risk premium on new enterprises. Thus, debt slows growth, especially when publicly held debt rises above 90 percent of gross domestic product, which research indicates is often accompanied by economic slowdown. We may be experiencing such a debt-induced slowdown. The annual growth in real GDP from the first quarter of 2022 through the first quarter of 2026 was 2.6 percent (quarter over same quarter a year ago). That growth rate slowed to 2.4 percent for the period Q1 2024 through q1 2026. The economy slowed even further to 2.2 percent for the period Q1 2025 through q1 2026. It is worth noting that publicly held federal debt breached 90 percent in the first quarter of 2020 and has never fallen below 90 percent since. Today it stands at 98 percent of GDP as of the fourth quarter of 2025.

I will liken the final reason for why signaling a new fiscal direction really matters now to the canary in the coal mine: the convenience yields on most Treasury maturities is negative. The convenience yield is the estimated amount of interest the buyer of a Treasury bond is willing to forego because the buyer believes the bond to be a rock-solid investment and a hedge against risk. When bond buyers believe this, the yield is positive; when they do not, the yield is negative. [Recent research](#) shows that the convenience yields on longer term bonds has been steadily more negative over the past few years, and that only very short-term notes still enjoy a positive yield. The estimated negative yield means that buyers would rather hold something else for investment purposes and most likely hold the longer term note only because the Treasury is paying a higher interest rate than a competing bond. That, of course, means

that our borrowing costs rise because financial markets have discounted the federal government's financial future.

What can be done to reverse this perception, support greater investment in our economy, and boost the long-term economic growth rate? I believe several small and slightly more aggressive steps can be taken immediately. Our goal should be the restoration of the Hamiltonian Norm, which can be quantified by returning the annual deficit levels to something between 3 and 4 percent of GDP, preferably the lower of these two numbers.

Here are some small steps:

- Require the annual COLA adjustment to Social Security benefits be based on the CPI-U rather than the CPI-W. The CPI-U is the official measurement of price change, and it was extensively improved while I was the Commissioner of Labor Statistics. The CPI-W, created after World War I, is an outdated and increasingly poor measurement of price changes faced by seniors. It commonly produces COLAs that are slightly above those estimated by the CPI-U. Shifting to the official metric would save the Treasury millions every year.
- Continue to tighten the qualification criteria for means-tested transfer programs to ensure that the original intent of the programs is defended against budget creep. Many means tested programs grew substantially during the pandemic and have not yet returned to levels that serve the communities that Congress intended them to serve.
- Implement a regulatory budget or encourage the administration to restrain the growth of regulations. [Recent research](#) by Parker Sheppard and me indicates that just freezing the total number of regulations would boost economic growth, lower inflation, and lower interest rates. In a [separate piece](#) on the fiscal effects of such a freeze, we estimated that a freeze would lower forecasted 10-year deficits by \$1.4 trillion largely through the effects of lower interest rates and higher economic growth.
- Do everything possible to encourage retirement savings among young workers. Most of these workers do not believe that Social Security will be there for them when they retire in the same way that it is for Baby Boomers. Thus, we have a receptive audience for expanded Trump Accounts and personal savings plans within or supplemental to Social Security.
- And, as mentioned, the Committee needs to vigorously pursue its legislative efforts to reduce fraud and abuse in the federal budget.

To conclude, heroic efforts are not actually required to start moving in a new direction. Congress does not need to do great things to keep the country from further drowning in red ink. That said, *it must do something*. We desperately need to return to the Hamiltonian Norm if we wish to avoid the financial fate so many economies have had to endure. We are not immune from such failures, but we can and must avoid them.

APPENDIX

Recent Legislation Passed by the Committee that Addresses Waste, Fraud, and Abuse

1. H.R. 8463, the Pre-Payment Fraud Prevention and Treasury Data Access Act (passed by bipartisan vote of 35-1), [Text - H.R.8463 - 119th Congress \(2025-2026\): Pre-Payment Fraud Prevention and Treasury Data Access Act | Congress.gov | Library of Congress](#);
2. H.R. 8464, the Stopping Fraudulent Payments Act (passed by a vote of 23-17), [Text - H.R.8464 - 119th Congress \(2025-2026\): Stopping Fraudulent Payments Act | Congress.gov | Library of Congress](#);
3. H.R. 8312, the Fraud Prevention and Accountability Act (passed by a vote of 23-17), [Text - H.R.8312 - 119th Congress \(2025-2026\): Fraud Prevention and Accountability Act | Congress.gov | Library of Congress](#);
4. H.R. 8467, the Zeroing Out Monetary Benefits Improperly Expended Act (passed by bipartisan vote of 40-0), [Text - H.R.8467 - 119th Congress \(2025-2026\): ZOMBIE Act | Congress.gov | Library of Congress](#);
5. H.R. 8428, the Federal Fraud Prevention Workforce Training Act (passed by bipartisan vote of 40-0), [Text - H.R.8428 - 119th Congress \(2025-2026\): Federal Fraud Prevention Workforce Training Act | Congress.gov | Library of Congress](#);
6. H.R. 8466, the Taxpayer Resources Used in Emergencies Accountability Act (passed by bipartisan vote of 40-0), [Text - H.R.8466 - 119th Congress \(2025-2026\): TRUE Accountability Act | Congress.gov | Library of Congress](#);
7. H.R. 8340, the Taxpayer Funds Oversight and Accountability Act (passed by bipartisan vote of 40-0), [Text - H.R.8340 - 119th Congress \(2025-2026\): Taxpayer Funds Oversight and Accountability Act | Congress.gov | Library of Congress](#);
8. H.R. 1755, the Timely and Accurate Benefits Act (passed by bipartisan vote of 40-0), [Text - H.R.1755 - 119th Congress \(2025-2026\): Timely and Accurate Benefits Act | Congress.gov | Library of Congress](#);
9. H.R. 8107, the Government Audit and Accountability of Federally Funded State-Administered Programs Act (passed by bipartisan vote of 41-0), [untitled](#);
10. H.R. 6916, the Federal Program Integrity and Fraud Prevention Act of 2025 (passed by bipartisan vote of 38-2), [Text - H.R.6916 - 119th Congress \(2025-2026\): Federal Program Integrity and Fraud Prevention Act of 2025 | Congress.gov | Library of Congress](#);
11. H.R. 428, the Bonuses for Cost-Cutters Act of 2025 (passed by bipartisan vote of 40-0), [Text - H.R.428 - 119th Congress \(2025-2026\): Bonuses for Cost-Cutters Act of 2025 | Congress.gov | Library of Congress](#); and
12. H.R. 1722, Billion Dollar Boondoggle Act of 2025 (passed by bipartisan vote of 39-0), [Text - H.R.1722 - 119th Congress \(2025-2026\): Billion Dollar Boondoggle Act of 2025 | Congress.gov | Library of Congress](#).