

## The AAF Plan to Address the Nation's Debt Challenge

The United States' two most pressing policy problems are the poor pace of economic growth and the federal budget outlook. Under current law, the Congressional Budget Office (CBO) projects that the national debt will grow to 116 percent of gross domestic product (GDP) by the end of fiscal year (FY) 2034 and to 166 percent of GDP by the end of FY 2054. The budget deficit will total 6.1 percent of GDP in FY 2034 and 8.5 percent of GDP in FY 2054, while economic growth will slow to 1.6 percent.

To address the nation's fiscal and economic challenges, the American Action Forum (AAF) developed a plan to foster economic growth and to promote a fiscal stance that reduces budget deficits and controls the national debt. The AAF plan emphasizes three core recommendations: entitlement reform, addressing global threats, and tax reform. These reforms combine to stabilize debt as a share of the economy within a decade and put it on a downward path over the long term.

**Summary of Budget Projections Under Current Law and AAF Plan**

Percent of GDP	Current Law <sup>1</sup>		AAF Plan	
	2034	2054	2034	2054
Revenue	17.9%	18.8%	18.4%	19.7%
Spending	24.1%	27.3%	21.3%	20.1%
Deficit	6.1%	8.5%	2.9%	0.4%
Debt Held by the Public	116%	166%	95%	67%

Sources: CBO and AAF.

The AAF plan would save \$7.1 trillion over the FY 2025–2034 budget window. This is the net effect of \$4.2 trillion of savings from entitlement reform, \$940 billion of new costs from addressing global threats, \$1.9 trillion of new revenue from tax reform, \$1.7 trillion of net interest savings, and \$210 billion of macroeconomic feedback from the policy changes in the plan.

Over the long term (FY 2025–2054), the plan reduces budget deficits by \$79.9 trillion. These savings are the net effect of \$30.4 trillion of deficit reduction from entitlement reform, \$1.5 trillion of new costs from addressing global threats, \$10.4 trillion of new revenue from tax reform, \$32.7 trillion of net interest savings, and \$7.8 trillion of macroeconomic feedback.

The main takeaway from these results is that the current U.S. fiscal outlook is extremely dangerous and the time remaining to address it is disappearing fast. In sum, the AAF plan would drastically improve the United States' dangerous current U.S. fiscal outlook, but policymakers must act soon as the time remaining to address the looming crisis in a sober way is disappearing fast.

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<sup>1</sup> The AAF plan was scored against [CBO's March 2024 Long-Term Budget Outlook](#). CBO has since released [An Update to the Budget and Economic Outlook: 2024 to 2034](#) with slightly different budget projections over the 2024 to 2034 budget window. To present an apples-to-apples comparison of budget projections under current law and the AAF plan, any mentions of "current law" in this analysis refer to CBO's March 2024 Long-Term Budget Outlook.