



Recover Stronger

A DEBT CRISIS PLAYBOOK FOR POLICYMAKERS

Set Targets.

Fix the Process.

Replace Breakdown Points.

by

KURT COUCHMAN

EXECUTIVE SUMMARY

If Markets Are Breaking Down:

First day:

- Reassure markets that federal obligations will be paid in full and on time
- Diagnose sources of market and fiscal stress
- Establish bipartisan leadership coordination
- Check for any immediate risk of default
- Agree on fiscal destination and operating rule

First week:

- Enact first down payment on deficit reduction
- Replace default and shutdown brinkmanship with durable fallbacks
- Establish clear fiscal targets
- Start committee work

Do not:

- Blame markets, the Federal Reserve, or the other party
- Promise market outcomes
- Substitute commissions, gimmicks, or deferred promises for immediate action

OVERVIEW

Illustrative scenario: Weak Treasury auctions increase bond yields and reduce fiscal confidence. Balance sheets constrain primary dealers from making markets. Market function and liquidity break down.

Why this guide: Debt pressures may unfold too fast for Congress to develop new budget upgrades or use regular order procedures. Key policymakers need contingency plans that initially draw from existing proposals and options. Rather than outlining specific spending and revenue policies to reduce borrowing, this guide focuses on approaching a crisis productively and making the right decisions in the right order.

Bottom line up front: Federal government debt downgrades reflect persistent **deficits**, a rising **debt burden**, and **poor governance**. Congress must address all three. Markets need credible, durable action. The public needs clear goals and reassurance. Members of Congress need to know that crisis response includes expanding the scope for committee- and member-led policymaking.

- **Protect full and timely payment of debt.** Replace shutdown and debt-limit brinkmanship with more productive fallbacks.
- **Set clear fiscal goals.** Make a 3% deficit-to-GDP goal¹ the public target; use a glide path to structural primary balance or surplus to reach agreed deficit and debt goals.
- **Upgrade Congress, don't bypass it.** Leaders must set the overall target and negotiate a down payment, but committees must increasingly fill in the details over time. Inclusive decision-making structures make continued stewardship possible as normalcy returns.

Timing is everything. Move fast on goals and safeguards to reassure markets. Follow up deliberately through committee action. The immediate response must be centralized, but then Congress must institutionalize fiscal responsibility and sound governance, which calms markets.

- **72 hours:** Acknowledge and confront the problem. Protect full and timely payments of debt. Announce a credible fiscal target. Assemble the first governance package.

¹ Couchman, Kurt. A Governance Framework for 3% Deficit-to-GDP Targets. Americans for Prosperity. March 26, 2026. <https://americansforprosperity.org/wp-content/uploads/2026/03/HBC-KRC-3pc-deficit-framework.pdf>

RECOVER STRONGER

- **30 days:** Follow through. Enact multiple installments of savings, statutory targets, and durable enforcement. Redirect breakdown points. Begin empowering committees to develop solutions.
- **3 months:** Rebuild the process. Test and then codify a real budget for Congress.
- **Full budget cycle and beyond:** Lock in paradigms. Fine-tune new practices. Continue to find savings and meet targets. Get presidential information to Congress on time. Consider constitutional rules for fiscal responsibility.

At first, leaders and committees will select from established options with broad acceptance that require little fine-tuning. Over time, and as lower-hanging fruit is picked, further progress will require greater investments in consensus building and technical design.

This guide lays out timelines for specified actions. The groundwork for each piece may well overlap with the timelines for earlier legislation.

These recommendations are designed to address deficits, debt, and governance sequentially: immediately, in the near- and medium-term, for the medium- and long-term, and durably.

Principles for Choosing Fiscal Consolidation Policies

When choosing deficit-reducing policies, Congress should prioritize these features:

- Breadth of expected political support
- Fiscal magnitude
- Speed of implementation
- Compatibility with scorekeeping practices
- Impacts on macroeconomic performance
- Likelihood of durability

PART I: STOP THE CRISIS (FIRST DAYS)

Reassure markets with credible, coordinated plans. Principal policymakers must assure markets that the United States can pay its debt, make decisions, and communicate responsibly. Move fast on the overall direction and safeguards. Move more deliberately as policy design shifts to committees.

0–6 hours	<p>Create a crisis management structure</p> <ul style="list-style-type: none"> ▪ White House and Congressional Leaders: POTUS, treasury secretary, OMB director, speaker of the House, House minority leader, Senate majority leader, and Senate minority leader coordinate messaging and early actions. <p>Diagnose bond and financial market dynamics</p> <ul style="list-style-type: none"> ▪ Treasury: Monitor markets; conduct debt-management analysis; report on auctions, repo markets, primary dealer capacity, and foreign conditions.
6–12 hours	<p>Deliver coordinated messages: no freelancing or speculation</p> <ul style="list-style-type: none"> ▪ Full faith and credit: The U.S. will honor all obligations in full and on time. ▪ Diagnosis: Immediate market disruptions are real — and so are the underlying deficit, debt, and governance problems that got us here. ▪ Destination: Leaders announce a consensus path with targets, an initial deficit-reduction down payment, and a plan to shift policy decisions to committees.
12–24 hours	<p>Publicize the fiscal anchor and related analysis</p> <ul style="list-style-type: none"> ▪ Baseline: Use the latest CBO baseline as the precrisis reference point. ▪ Broad goal: In plain language, commit to reducing the deficit to 3% of GDP within five years. ▪ Mechanics: Use structural primary balance tailored to meet credible debt-to-GDP goals and stress test it.
24–72 hours	<p>Preview the first governance package</p> <ul style="list-style-type: none"> ▪ Debt limit: If near-term default is possible, suspend the debt limit without delay to reduce risk during the crisis phase and while structural reforms are enacted. ▪ Prevent Government Shutdowns Act: Avoid service disruptions and ensure that new appropriations earn members' votes. ▪ Scoring: Require cost estimates to show interest effects.

Productive Communications: Credibly Manage Expectations

Say this:

- The United States will pay every obligation in full and on time.
- We have our differences, but we are all committed to coming out of the present crisis stronger.
- We have agreed on the targets to get deficits below 3% of GDP, and we are engaging the committees on the best policies to meet them.
- Shutdowns and default threats are not part of a healthy budget process. We aim to eliminate them.
- We are also fixing the budget process so Congress can make responsible decisions every year.

Not that:

- No blaming investors, rating agencies, foreign governments, or a single party.
- No promising a specific yield, auction result, economic growth rate, or market reaction.
- No pressuring the Federal Reserve or mixing fiscal and monetary messages.
- No default prioritization, debt-limit brinkmanship, or shutdown threats.
- No gimmicks, backloaded savings, or treating a commission or balanced budget amendment (BBA) as a substitute for immediate action.

A Better Regular Order for Budgeting Can Restore Stability

Congress enacts:

- A real down payment for deficit reduction.
- A general goal of deficits below 3% of GDP, backed up with a glide path to structural primary balance.
- Healthier backstops than shutdowns and default.
- Rewards for responsible budgeting and productive participation.

Leaders move away from improvising policy in crisis. Instead, members build coalitions to develop durable policy in committees and on the floor.

Toward a More Perfect, Rule-of-Law Fiscal Democracy

The challenge is how to create better conditions for Congress to make responsible decisions easily and with enough political cover for members to make tough-but-necessary trade-offs routinely.

- Is the rule neutral, practical, comprehensive, and resilient to shocks?
- Does it improve the conditions for Congress to choose rather than predetermine the policy?
- Will new practices endure when party control changes?
- Does it give members added means and motivation to find mutually beneficial tradeoffs?

Lay Out the Path of the Fiscal Anchor

Markets need a simple destination: deficits below 3% of GDP. Congress needs a steady operating rule: a glide path to structural primary balance — medium-term balance excluding interest costs — with allowances for emergency spending.

PERIOD	TARGET
Current Year	Enact real deficit-reduction down payments and statutory targets with a glide path. Package must reflect degree of market stress.
Years 2–5	Pathway to deficits below 3% of GDP. Use structural primary balance for stable and predictable policymaking.
Thereafter	Maintain declining debt-to-GDP ratio by adjusting primary surplus. Emergency borrowing is allowed if subsequent offsets are credible.

PART II: RE-ESTABLISH CREDIBILITY (FIRST MONTH)

Turn bipartisan commitments into bipartisan laws. Leaders must drive the initial response, but restoring credibility means shifting responsibility toward committee-led deliberation. The first package — a leadership deal — must include savings with bipartisan support, a reasonable fiscal goal, and a first set of guardrails. Date ranges overlap below to build in flexibility for timing and tradeoffs between bundling versus sequencing. Ultimately, new legislation should include wins for many members.

Days 4–10, module 1: Leaders must build an emergency Fiscal Stabilization Act with savings, a broad goal, the intent to empower committees, transparency for interest effects, and measures to defuse shutdown and default threats.

- Assemble and enact a first installment of deficit reduction with sizable, scoreable savings that agencies can carry out quickly. Calibrate it to reflect the emergency. Avoid budget gimmicks.
- Include 3% deficit-to-GDP target with space for Congress to deliberate on the best ways to meet it.
- Policy statement previewing the shift toward committees: The first package is a down payment, and committees will increasingly lead on restoring fiscal responsibility and economic growth.
- Have Congressional Budget Office cost estimates include interest effects via the Cost Estimates Improvement Act.²
- Take shutdown brinkmanship off the table with the Prevent Government Shutdowns Act.³
- If needed, extend the debt limit for six months to reduce default risk.

Days 7–20, module 2: Leaders set targets for a glide path to structural primary balance.

- Enact neutral, comprehensive, predictable, and practical targets that adjust for automatic stabilizers,⁴ revenue changes, and emergency response with subsequent offsets.
- Include a sense of Congress that the 3% deficit-to-GDP goal requires carefully designed statutory budget targets.

² U.S. Rep. Michael Cloud. Cost Estimates Improvement Act. H.R. 10327, 119th Congress (2025–2026). Congress.gov. <https://www.congress.gov/bill/119th-congress/house-bill/10327>

³ Couchman, Kurt. PGSA: Myths & Facts. Americans for Prosperity. <https://americansforprosperity.org/policy-corner/pgsa-myths-facts/>

⁴ Owens, Graham and Kurt Couchman. Building Up Congress: A Pocket Guide. Americans for Prosperity. November 6, 2025. <https://americansforprosperity.org/policy-corner/building-up-congress-a-pocket-guide/>

- Adapt the Responsible Budget Targets Act⁵ for a straight-line glide path to structural primary balance or surplus within the agreed timeline, likely two to five years. The bill connects budget authority, outlays, and revenue so trends in revenue and primary (noninterest) spending align.

Days 10–25, module 3: Leaders and committees seek further savings with an initial trial for real budgeting.

- Leaders: Set **immediate savings** goals and broad parameters, including cross-committee issues.
- Budget committees: Allocate savings to committees, publicize assumptions and compliance plan.
- Standing committees: Convert broad instructions into statutory changes with budget committees’ oversight.
- Rules/Leaders: Protect integrity of committee-developed policies.

Days 14–30, module 4: Budget committees develop effective, sustainable automatic budget enforcement to lock in credible commitment: targets + down payments + enforcement.

- Goal: Backstop targets with credible automatically triggered savings,⁶ not so they will go into effect, but to motivate consensus on the front end. Distribute tolerable levels of policy pain.
- Replace the “goofy meat ax”⁷ sequester with small, repeatable adjustments to spending and revenue statutory parameters spread across the budget and over time.
- Let committees replace automatic adjustments with equal or greater savings.

⁵ Couchman, Kurt. What Is the Responsible Budget Targets Act? Americans for Prosperity. June 21, 2023. <https://americansforprosperity.org/blog/responsible-budget-targets-act/>

⁶ Couchman, Kurt. Why Incremental Adjustments Are a Better Approach to Automatic Budget Enforcement. Americans for Prosperity. March 23, 2023. <https://americansforprosperity.org/blog/automatic-budget-enforcement/>

⁷ Jaffe, Greg. Panetta and other Pentagon officials are mad about metaphors. February 22, 2012. https://www.washingtonpost.com/lifestyle/style/panetta-and-other-pentagon-officials-are-mad-about-metaphors/2012/02/15/g1QAuJP9TR_story.html

PART III: RECOVER STRONGER (FOLLOWING MONTHS)

As markets stabilize and crisis conditions subside, maintaining consensus-building momentum requires healthier incentives that reward member interdependence without predetermining congressional choices.

Days 30–60, module 5: Committee-led savings via a real budget⁷ can achieve immediate goals.

- Existing laws let Congress consider a complete budget covering all spending and revenue. During a debt crisis, Congress can use the concurrent resolution on the budget and existing committee authorities to pilot this approach fully before codifying it.
- Budget committees should lead a contingency budget resolution to allocate remaining savings.
- Within overall guardrails, other committees can find savings and reallocate funds across programs.
- Budget committees validate and bundle submissions, then send complete budget to floor.
- Leaders coordinate allocations at the beginning and close outstanding issues at the end.
- Repeat the process as needed for additional savings.

Days 45–75, module 6: Fiscal fidelity buys debt-limit relief.

- Provide debt-limit relief⁸ when budget meets statutory targets. Automatically suspend the debt limit through July 31 after a fiscal year in which budget targets are met. This timing encourages Congress to finish budgeting before the August recess while leaving Treasury several months to use extraordinary measures in case of delayed budgeting.

Days 60–90, module 7: Congress codifies continuous transformation through a real budget.

- Drawing on lessons learned in the pilot, Congress codifies a **real budget**. This maximizes member cooperation and participation by engaging all potential dials for meeting deficit- and debt-reducing budget targets, applying sound governance to Congress' legislative powers, and deepening the intra-legislative connective tissue for more effective policymaking and independent action.

⁷ Couchman, Kurt. What Is the Comprehensive Congressional Budget Act? Americans for Prosperity. March 9, 2026. <https://americansforprosperity.org/policy-corner/what-is-ccba/>

⁸ Couchman, Kurt. A Debt Limit Deal with Something for Everyone. The Hill. November 20, 2022. <https://thehill.com/opinion/congress-blog/3743468-a-debt-limit-deal-with-something-for-everyone/>

PART IV: THE NEW NORMAL OF ANNUAL, HOLISTIC BUDGETING

A crisis of confidence is not resolved quickly. Trust, once lost, takes time to rebuild.

Congress and the administration can best restore trust by repeatedly making responsible choices. All members must have regular ways to contribute to putting choices before their colleagues.

The federal government needs a predictable, effective, and responsible regular order each year.⁹

- **January:** Congressional Budget Office publishes a baseline in the *Budget and Economic Outlook*.
- **Early February:** POTUS submits budget request and national security strategy.
- **Mid to Late February:** Discussions around the State of the Union address.
- **March:** Committees send views and estimates to budget committees.
- **March/April:** Budget committees negotiate the allocation of budget targets to other committees.
- **Mid-April:** Committees get topline from concurrent resolution on the budget or backstop.
- **May/early June:** Committees manage portfolios, transmit results to budget committees.
- **June:** Budget committees validate submissions, refine the process, and send budget to the floor.
- **July:** Floor consideration and approval of annual budget act.
- **October:** Agencies faithfully execute new fiscal year appropriations and programmatic statutes.

⁹ Couchman, Kurt. Effective Budgeting: Congress Can Be Much Better. Americans for Prosperity. February 2, 2026. <https://americansforprosperity.org/policy-corner/congress-budget-better/>

FURTHER INSTITUTIONAL UPGRADES

Schedule State of the Union¹⁰ after White House reports are validated: When the budget chairs and the foreign affairs or relations chairs certify that the president’s budget request and national security strategy meet statutory requirements, Congress invites the president to give the State of the Union address.

Next-generation constitutional fiscal rules: Many states adopted budget rules to reduce interest costs by assuring bond markets that timely principal and interest on debt would be paid. A federal corollary would signal long-term prudence. A competitive process¹¹ can foster deliberation on alternatives, including next-generation versions like the Principles-based BBA,¹² the Business Cycle BBA,¹³ and a debt limit.¹⁴

Continual transformation: The overall experience will generate new ideas to improve federal budgeting. The Budget Committee markup of a real budget provides a regular vehicle to consider and advance them. Effective, regular, and holistic budgeting will allow all committees to manage their portfolios alongside each other. Regular reviews across the budget, and between budget and authorizing legislation, will help Congress coordinate and improve tax, health, welfare, national security, transportation, and a host of other program areas.

This guide’s subject — recovering stronger from a debt crisis — necessarily focuses on fiscal management. Ideally, of course, budgeting and authorization would inform each other in a continuous feedback loop with input from the executive branch. Additional tools¹⁵ to support authorizing legislation and rebalancing congressional-executive relations could support better results as well.

Read online: <https://americansforprosperity.org/policy-corner/recover-from-debt-crisis/>

¹⁰ Couchman, Kurt. What Is the SUBMIT IT Act? Americans for Prosperity. March 4, 2024. <https://americansforprosperity.org/blog/what-is-the-submit-it-act/>

¹¹ Couchman, Kurt. BBA Competition in the House Can Rebuild Broad Support. Americans for Prosperity. August 20, 2025. <https://americansforprosperity.org/policy-corner/bba-competition-in-the-house-can-rebuild-broad-support/>

¹² Couchman, Kurt. Introducing the Principles-based Balanced Budget Amendment. Americans for Prosperity. November 24, 2025. <https://americansforprosperity.org/policy-corner/introducing-the-principles-based-balanced-budget-amendment/>

¹³ Couchman, Kurt. Well-Designed Balanced Budget Rules Support Sound Governance. Americans for Prosperity. September 15, 2025. <https://americansforprosperity.org/policy-corner/well-designed-balanced-budget-rules-support-sound-governance/>

¹⁴ Couchman, Kurt. Implementing a Constitutional Debt Limit. Americans for Prosperity. January 21, 2026. <https://americansforprosperity.org/policy-corner/constitutional-debt-limit/>

¹⁵ Owens, Graham and Kurt Couchman. Building Up Congress: A Pocket Guide. Americans for Prosperity. November 6, 2025. <https://americansforprosperity.org/policy-corner/building-up-congress-a-pocket-guide/>



AMERICANSFORPROSPERITY.ORG