

## The US Government Is In The State of Insoluble Insolvency

The term “Insoluble Insolvency” is: “A condition in which the fiscal adjustment required to stabilize sovereign debt exceeds the combined fiscal, monetary, and political capacity of the governing system.” The major takeaway is that the US is in the position of “insoluble insolvency” and the public should begin to adjust its lifestyle accordingly.

All is not lost because a significant portion of the economy will continue to survive but will work in an extremely modified environment entitled **Coexistence**. The aforementioned changes will not occur overnight but will occur steadily overtime and informed citizens who learn the rules of game will benefit greatly relative to their peers who fail to act. This “coexistence” space will be the home of a range of new instruments, including the possibility of some form of cryptocurrency replacing the dollar, but not necessarily replacing the USG.

The existence of the term “Insoluble Insolvency” is opposed by the super majority of the professional economic community. With all due respect to this noteworthy community, this is not my first time at the rodeo. More specifically I worked for **five** consecutive US Presidential Administrations, primarily in the White House Office of Management and Budget, including a term as its Assistant Director. I am guided in part by the fact that an accurate estimate of the relevant outstanding liabilities of the federal government are nearly **three** times that reported in the literature. This fact in itself suggests that strategies of old will not the address the problems at hand. I am also guided by the statement: “judge me not by my degrees or publications but by what I have changed”.

Given the wide scope of my **findings** and recommendations I felt it essential that I incorporate the views of a disinterested third party. Consequently, I utilized *ChatGPT* which permitted an immediate response at virtually no cost. **ChatGPT** In addition there is a possibility that the aforementioned conclusion could change in total or in part depending on the future stance of AI

In a nutshell, what is needed is a *passionate championing* or, if relevant, an *altruistic dissent* of the conclusions herein.

### Recommended Next Steps

- Conduct a public discussion of whether there is agreement on the concept of “insoluble insolvency”
  - If not, is there a consensus that unchecked federal deficits represent a threat to consumer well-being and the historical approaches simply are not working: in particular ongoing attempts to address the issue again by passing legislation is likely to repeat the losses of the past?
  - If so should any of the following corrective actions be initiated and who should initiate such actions?

## A SUMMARY PLAN OF AVAILABLE OPTIONS

### Endpoints of Insoluble Insolvency

## 1. Inflationary resolution

- real value of debt eroded

## 2. Debt restructuring

- partial default or maturity extension

## 3. Financial repression

- forced holding of government debt

## 4 Fiscal regime change

- radical tax or entitlement reform

## 5. Currency regime change

- new currency or monetary framework

# DETAILED PLAN

The concept of “**insoluble insolvency**” implies a condition where **conventional fiscal tools (tax increases, spending cuts, growth assumptions)** are mathematically insufficient to restore long-term solvency.

Within that framing, CRE-style approaches tend to **shift from purely budgetary fixes to structural, institutional, and system-level interventions**. Below is a structured synthesis of the **main CRE policy option categories** for addressing insoluble insolvency.

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# I. Measurement & Transparency Reforms (Make Insolvency Explicit)

## Core Idea

Before solving insolvency, **fully quantify it**—including unfunded obligations.

## CRE Options

- **Accrual-based federal accounting**
  - Replace cash accounting with full balance-sheet reporting (including Social Security, Medicare liabilities)
- **Unified fiscal gap reporting**
  - Institutionalize Kotlikoff-style “fiscal gap” as an official metric
- **Regulatory-style disclosure regime**
  - Treat fiscal exposures like securities disclosures (risk statements, forward liabilities)

## Strategic Goal

Turn “hidden insolvency” into a **recognized, legally salient condition**, forcing action.

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# II. Centralized Fiscal Governance (OIRA-like Model for Spending)

## Core Idea

Apply the logic of Office of Information and Regulatory Affairs to fiscal policy.

## CRE Options

- **Centralized review of all major spending commitments**
- **Mandatory cost-benefit analysis for entitlement expansions**
- **Intergenerational impact statements**
- **Fiscal “sign-off” requirement before legislation proceeds**

## Strategic Goal

Prevent further insolvency by **controlling new obligations at the source**.

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# III. Structural Entitlement Reconfiguration

## Core Idea

Acknowledge that **entitlements are the dominant driver** of insolvency.

## CRE Options

- Transition from:
  - Defined-benefit → hybrid or defined-contribution models
- Introduce:
  - Automatic stabilizers (e.g., longevity indexing, means testing triggers)
- Convert:
  - Open-ended obligations → capped or formula-driven commitments

## Strategic Goal

Shift from **politically fixed promises** → **economically adaptive systems**.

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# IV. Intergenerational Burden Allocation Framework

## Core Idea

Explicitly allocate losses—because insolvency means **someone must absorb them**.

## CRE Options

- Generational accounting embedded in policymaking
- “Intergenerational equity rules”
- Formal recognition of:
  - Current beneficiaries vs. future taxpayers tradeoffs

## Strategic Goal

Replace implicit burden shifting with **transparent allocation decisions**.

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# V. Market-Based and Balance Sheet Solutions

## Core Idea

Treat the federal government more like a **sovereign balance sheet manager**.

## CRE Options

- Federal asset inventory and monetization strategy
- Sovereign wealth fund structures
- Long-duration liability restructuring mechanisms
- Inflation-indexed restructuring instruments

## Strategic Goal

Move beyond taxation/spending toward **active balance-sheet management**.

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# VI. Monetary–Fiscal Integration (Including Digital Assets)

## Core Idea

In insolvency, the boundary between fiscal and monetary policy collapses.

## CRE Options

- Exploration of:
  - Central bank–Treasury coordination frameworks
- Intergovernmental digital currency concepts
- Blockchain-based fiscal tracking and control systems
- Rules-based monetary financing (with constraints)

## Strategic Goal

Use **monetary architecture as a stabilization tool**, not just a bystander.

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# VII. AI-Enabled Fiscal Control Systems

## Core Idea

Human governance may be too slow/incremental for insolvency-scale problems.

## CRE Options

- AI-driven:
  - Real-time budget monitoring
  - Long-term liability projections
  - Policy simulation engines
- Automated triggers:
  - Spending cuts or tax adjustments when thresholds breached

## Strategic Goal

Create a **self-correcting fiscal system** rather than reactive policymaking.

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# VIII. Legal & Institutional Reset Mechanisms

## Core Idea

If insolvency is truly “insoluble” under current rules, **rules must change**.

## CRE Options

- Fiscal responsibility acts with enforcement teeth
- Constitutional or quasi-constitutional fiscal constraints
- Sovereign restructuring frameworks (pre-negotiated)
- Emergency fiscal commissions with binding authority

## Strategic Goal

Enable **non-incremental adjustments** when incrementalism fails.

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# IX. Public Comment & Stakeholder Engagement Model

## Core Idea

Borrow CRE's core competency: **structured public participation**.

## CRE Options

- Formal public comment process on long-term fiscal gap
- Soliciting:
  - Academics (e.g., Laurence Kotlikoff)
  - Market participants (Dalio-type frameworks)
  - Institutional investors
- Publication of competing solvency frameworks

## Strategic Goal

Legitimize difficult reforms through **procedural transparency and inclusion**.

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# X. Contingency Planning for Sovereign Restructuring

## Core Idea

If insolvency cannot be avoided, **prepare for it explicitly**.

## CRE Options

- Scenario planning:
  - Inflationary resolution
  - Debt restructuring

- Financial repression
- Pre-negotiated frameworks with:
  - Creditors
  - Federal Reserve
  - International actors

## **Strategic Goal**

Avoid chaotic crisis by enabling **orderly adjustment paths**.

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# **Synthesis: CRE's Distinctive Contribution**

CRE's approach differs from standard deficit policy in three ways:

## **1. From Budgeting → Systems Design**

Not just “cut or tax,” but **redesign fiscal architecture**

## **2. From Politics → Process**

Use **regulatory-style procedures (OIRA model)** to discipline fiscal policy

## **3. From Denial → Formal Recognition**

Treat insolvency as:

- Measurable
  - Disclosable
  - Governable
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# **Bottom Line**

In the CRE framework, “**insoluble insolvency**” is **not solved by a single policy**. It is addressed by a **stack of institutional innovations**:

- Measurement → Control → Adaptation → Restructuring

Or more bluntly:

If the math cannot be fixed within the system,  
the system itself must be redesigned.

Respectfully  
jim

**NB** I have received no financing from any source to prepare this document.

**A copy of the above is on this [link](#). 03/20/2026**