

2015

FISCAL  
SUMMIT

OPPORTUNITY FOR AMERICA

SPONSORED BY THE PETER G. PETERSON FOUNDATION

# Summary and Highlights

May 19, 2015 | Washington, D.C.





# Introduction

America's economic recovery is finally taking hold, and current deficits are down from the record highs during the recession. At the same time, far too many American families are being left out of the recovery, and our nation still faces an unsustainable long-term fiscal outlook.

In this context—with progress made but serious work still to be done—the Peter G. Peterson Foundation held its sixth annual Fiscal Summit, titled “Opportunity for America,” on May 19, 2015, in Washington, D.C.

The 2015 Fiscal Summit explored America's economy and fiscal outlook at this transitional moment, convening leading experts and policymakers to examine the state of economic opportunity in America today and the opportunity the nation has to address its long-term debt and build a vibrant, growing economy of the future.

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# 2015 Fiscal Summit: Opportunity for America

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### **About the Peter G. Peterson Foundation**

Founded in 2008, the nonpartisan Peter G. Peterson Foundation is dedicated to increasing public awareness of the nature and urgency of key fiscal challenges threatening America's future and accelerating action on them. To meet these challenges successfully, the Foundation works to bring Americans together to find sensible, sustainable solutions that transcend age, party lines, and ideological divides. Since its launch, the Foundation has invested significantly in grants and projects related to public engagement and the study of fiscal policies and potential solutions.



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# Program

## **Welcoming Remarks: 2015 Fiscal Summit**

*Pete Peterson*, Founder and Chairman, Peter G. Peterson Foundation

## **Opening Remarks: Opportunity for America**

*Michael A. Peterson*, President and Chief Executive Officer, Peter G. Peterson Foundation

## **Investing in American Opportunity**

*Michael R. Bloomberg*, Founder, Bloomberg LP; Three-term Mayor of New York City

## **Looking Long Term: A Conversation with Doug Elmendorf**

*Douglas W. Elmendorf*, Former Director, Congressional Budget Office

INTERVIEWER: *John Harwood*, Chief Washington Correspondent, CNBC; Political Writer, *The New York Times*

## **Paying for the Past: How Will Rising Interest Costs Affect Economic Growth?**

*Richard W. Fisher*, Former President and CEO, Federal Reserve Bank of Dallas

*Alan Greenspan*, President, Greenspan Associates; Former Chairman, Federal Reserve Board

*Lawrence B. Lindsey*, President and CEO, The Lindsey Group; Former Director, National Economic Council under President George W. Bush; Former Governor, Federal Reserve Board

MODERATOR: *Betty Liu*, Anchor, “In the Loop with Betty Liu,” Bloomberg Television

## **Congressional Leaders: Opportunity for Legislative Action on Fiscal and Economic Challenges**

*Representative Tom Price* (R-GA), Chairman, House Budget Committee

*Representative Kevin McCarthy* (R-CA), House Majority Leader

*Representative Steny Hoyer* (D-MD), House Democratic Whip

INTERVIEWER: *Dana Bash*, Chief Congressional Correspondent, CNN

## **Perspectives from the West Wing: Former White House Chiefs of Staff on Politics and Policy Opportunities**

*Joshua B. Bolten*, Managing Director, Rock Creek Global Advisors LLC; Former White House Chief of Staff under President George W. Bush

*Andrew H. Card*, President, Franklin Pierce University; Former White House Chief of Staff under President George W. Bush

*William M. Daley*, Managing Partner and Head of U.S. Operations, Argentièrè Capital; Former Secretary of Commerce; Former White House Chief of Staff under President Barack Obama

MODERATOR: *Ruth Marcus*, Columnist, *The Washington Post*

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### **Solutions Initiative III: Solutions Do Exist**

**Josh Bivens**, Research and Policy Director, Economic Policy Institute

**Jason Grumet**, Founder and President, Bipartisan Policy Center

**Douglas Holtz-Eakin**, President, American Action Forum; Former Director, Congressional Budget Office

**Neera Tanden**, President, Center for American Progress

**Alan D. Viard**, Resident Scholar, American Enterprise Institute

MODERATOR: **David Wessel**, Director, Hutchins Center on Fiscal and Monetary Policy, Brookings Institution; Contributing Correspondent, *The Wall Street Journal*

### **Ladders of Opportunity: A Conversation with Secretary of Housing and Urban Development Julián Castro**

**Secretary Julián Castro**, U.S. Department of Housing and Urban Development

INTERVIEWER: **John Harwood**, Chief Washington Correspondent, CNBC; Political Writer, *The New York Times*

### **Empowering the Next Generation: Investing in Our Future and Ensuring Economic Mobility**

**Naomi Hirabayashi**, Chief Marketing Officer, DoSomething.org

**Wendy Kopp**, CEO and Co-founder, Teach For All

**Lena Shi**, Alumna and Advisory Council Member, Up to Us–University of Virginia Team; Presidential Management Fellow, U.S. Department of Education

**Marc S. Tucker**, President and CEO, National Center on Education and the Economy

MODERATOR: **Annie Lowrey**, Reporter, *New York Magazine*

### **Fiscal and National Security in a Changing World**

**Michèle Flournoy**, CEO, Center for a New American Security; Former Under Secretary of Defense for Policy

**Admiral Mike Mullen**, USN (Ret.), President, MGM Consulting LLC; 17th Chairman, Joint Chiefs of Staff

MODERATOR: **David E. Sanger**, National Security Correspondent, *The New York Times*

### **2015 Fiscal Summit Videos**

The Summit's opening video featured a range of perspectives from leaders in policy, academia, and business.

**Raj Chetty**, William Henry Bloomberg Professor of Economics, Harvard University

**Ray Dalio**, Founder, Bridgewater Associates

**Glenn Hubbard**, Dean, Columbia Business School; Former Chairman, Council of Economic Advisers under President George W. Bush

**Alice Rivlin**, Leonard D. Schaeffer Chair in Health Policy Studies and Director, Center for Health Policy, Brookings Institution; Former Director, Congressional Budget Office

**Lawrence H. Summers**, Charles W. Eliot University Professor and President Emeritus, Harvard University; Former Secretary of the Treasury and Former Director, National Economic Council under President Bill Clinton

Throughout the day, Solutions Initiative III grantees shared their views through special videos highlighting each plan.

IN ORDER OF APPEARANCE:

**Gordon Gray**, Director of Fiscal Policy, American Action Forum

**Alan D. Viard**, Resident Scholar, American Enterprise Institute

**G. William Hoagland**, Senior Vice President, Bipartisan Policy Center

**Harry Stein**, Director for Fiscal Policy, Center for American Progress

**Josh Bivens**, Research and Policy Director, Economic Policy Institute

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# Welcoming Remarks: 2015 Fiscal Summit

## Pete Peterson

**FOUNDATION FOUNDER AND CHAIRMAN** Pete Peterson welcomed the audience to the sixth annual Fiscal Summit. Since establishing the nonpartisan Foundation in 2008, Peterson has led its work to raise awareness of America's long-term fiscal challenges and to find solutions to support economic growth and opportunity across America.

Under his leadership, the Fiscal Summit has become the premier annual gathering focused on addressing our nation's long-term debt and economic future. Since debuting in 2010, the Fiscal Summit has convened respected voices from across the political spectrum, and has been a key part of the Foundation's work to build consensus and support for putting America on a sustainable long-term fiscal path.

Previous Fiscal Summits have included conversations and interviews with President Bill Clinton, Bill Gates, House Speaker John Boehner, House Minority Leader Nancy Pelosi, Treasury Secretary Tim Geithner, Fed Chairman Alan Greenspan, Fed Chairman Paul Volcker, Representative Paul Ryan, Senator Dick Durbin, and other influential policymakers and thought leaders.

Pete Peterson began the program by welcoming attendees to the 2015 Fiscal Summit, and setting the stage for the day's policy discussions surrounding America's long-term fiscal and economic challenges.







**Pete Peterson**  
*Founder and Chairman,  
Peter G. Peterson Foundation*

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# Opening Remarks: Opportunity for America

## Michael A. Peterson

**MICHAEL PETERSON**, President and Chief Executive Officer of the Foundation, opened the Fiscal Summit by outlining America’s opportunity to “invent its future.” While short-term deficits are down, Peterson noted that our long-term fiscal trajectory remains dangerously unsustainable. As the economic recovery gains strength, we have more flexibility and options, and “a new window of opportunity to begin to address the nation’s long-term fiscal imbalances,” he said.

Putting our nation on a more sustainable long-term fiscal path will give our economy the best chance to succeed, Peterson argued. A strong fiscal foundation, he said, “creates the conditions that encourage growth,” enabling “an environment with greater access to capital, increased public and private investments, enhanced business and consumer confidence, and a solid safety net.” These factors, in turn, create “a more vibrant economy, with rising wages and greater productivity and mobility” for America.

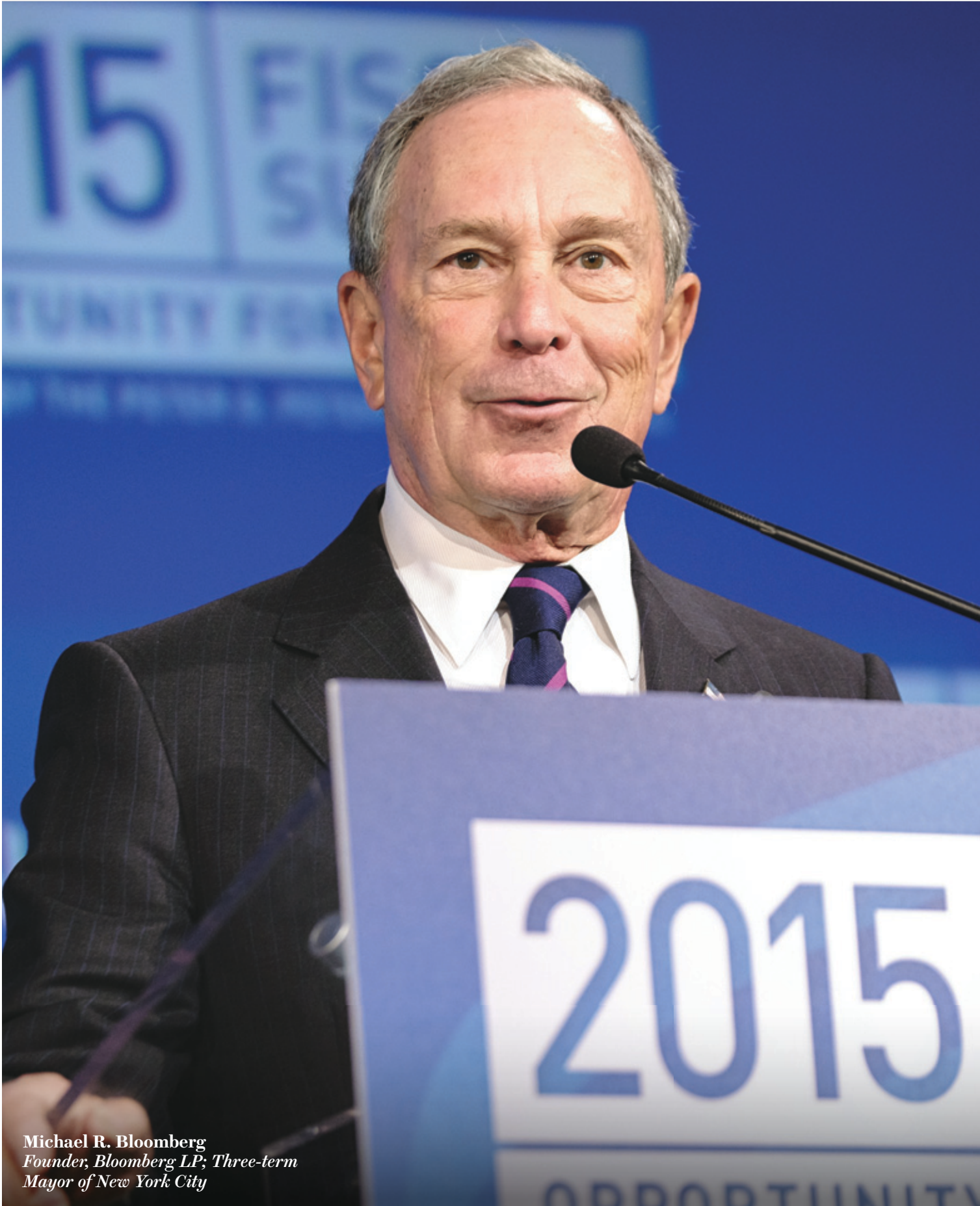
During his remarks, Peterson announced the results of a nationwide poll the Foundation released at the Fiscal Summit, demonstrating that Americans widely support addressing our long-term fiscal challenges now as a way to enhance economic opportunity. He outlined the poll’s highlights, including the finding that nearly 8 in 10 voters, across party lines, believe that now is the right time to act on fiscal policy because we are not facing an immediate economic crisis. That same number—8 in 10—“believe that there will be more opportunities for everyday Americans to be successful if the economy is less burdened by the national debt.” Peterson noted that fiscal and economic issues are clearly on voters’ minds as we head into a presidential election year.

Peterson also previewed the day’s program, including the release of results from the Foundation’s third Solutions Initiative, a unique project that convenes organizations from across the spectrum to develop comprehensive fiscal plans. He said that the project proves “unquestionably, that solutions do exist. So if we want to invent a brighter future, we know how.”





**Michael A. Peterson**  
*President and Chief Executive Officer,  
Peter G. Peterson Foundation*



**Michael R. Bloomberg**  
*Founder, Bloomberg LP; Three-term  
Mayor of New York City*

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# Investing in American Opportunity

## Michael R. Bloomberg

**PETE PETERSON** introduced the day's first speaker, Mike Bloomberg, Founder of Bloomberg LP and three-term Mayor of New York City. Peterson called Bloomberg a true "triple threat," highlighting his significant contributions in the worlds of public service, business, and philanthropy.

In formal remarks, Bloomberg made a call for bipartisan cooperation to invest in America's future. Bloomberg argued forcefully for more investment in priorities such as science and research, education, and transportation infrastructure to help ensure that the United States can continue to be "the most advanced economy for decades to come."

Lamenting that good policy is often subverted by tangled politics, Bloomberg said that Washington has, unfortunately, given us "the worst of both worlds"—an unsustainable long-term fiscal outlook and insufficient investment to fuel our economy today. But by getting our long-term fiscal house in order, we can ensure that we have the resources available to spur innovation, build a competitive workforce, and support greater economic opportunity.

Bloomberg said that no issue better exemplifies the problem than a lack of investment in transportation infrastructure. As Congress has struggled to address the financial shortfalls in the Highway Trust Fund, Bloomberg said

that we're missing an opportunity to retain a competitive edge in the global economy. "Other countries," he said, "are making these investments because they know that businesses will go to the cities that have the fastest and most extensive transit networks; the deepest, biggest ports; and the most modern and efficient airports."

Looking to historical examples, Bloomberg cited the Interstate Highway System as fundamentally transforming America and "fueling decades of unprecedented economic growth." Instead of putting a plan in place to secure our fiscal future and ensure resources are available for investments such as infrastructure, Bloomberg said Congress is "kicking the can down a pothole-filled road." He emphasized that investing in transportation infrastructure is an idea that shares bipartisan support, and he called on both parties to be willing to compromise.

Closing on an optimistic note, Bloomberg said, "Past generations, our parents and grandparents, had the courage to make these investments. And now it is our turn. If you don't want to make the investment, just take a look at your kids and grandkids and say, 'What kind of a world do you want to leave them?' We have a responsibility to the next generation as previous generations did for us. And if we do, the future of America will be brighter than ever."

# 2015

# FISCAL SUMMIT

## OPPORTUNITY FOR AMERICA

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**John Harwood**  
*Chief Washington Correspondent, CNBC;  
Political Writer, The New York Times*

**Doug Elmendorf**  
*Former Director,  
Congressional Budget Office*

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# Looking Long Term: A Conversation with Doug Elmendorf

INTERVIEWER: *John Harwood*

**IN HIS FIRST MAJOR APPEARANCE** following a six-year term as Director of the Congressional Budget Office (CBO), Doug Elmendorf offered perspectives on today's budgetary and economic landscape in a one-on-one conversation with John Harwood of CNBC and *The New York Times*. In this wide-ranging discussion, Elmendorf stressed the critical importance of CBO maintaining its independence in developing budgetary analysis for policymakers.

Elmendorf said that estimating the macroeconomic effects of legislation—known as “dynamic scoring”—is a key part of assessing a bill's overall impact, but that his preference is that such scoring be “provided separately from the basic cost estimates.” He also said it's important to apply this analysis to both spending and tax policies.

Using the recent economic stimulus bill as an example, Elmendorf discussed the significance of the relationship between short-term and long-term fiscal and economic policy, arguing that “it is generally the case that ... extra spending, or reduction in taxes, when the economy's weak, will be good for the economy in the short term.” However, he added, it's important to ensure that there are “offsetting changes in fiscal policy later to pay for [the] lower taxes or higher spending.”

Harwood asked Elmendorf for his assessment of the nation's current and future fiscal outlook. Elmendorf emphasized that our federal budget problems are “very serious,” noting that higher debt in the long run reduces private investment, “and that's a drag on productivity and thus a drag on people's incomes.” An added unpredictable risk, he said, is “how high debt might prevent us from reacting to future challenges,” including unforeseen economic downturns and international crises.

Elmendorf said that the underlying drivers of our long-term fiscal unsustainability are “not mysterious in any way,”

identifying an aging population and rising healthcare costs as fundamental factors. He noted that our federal debt “is now at about 75% of GDP [gross domestic product], and under CBO's projections for current law, it will pass 100% of GDP in 25 years. That is a very serious problem for our economic future.”

Elmendorf said that we should be making more public investments, but we should also “look for ways to make sure that the investments are having the greatest bang for the buck” in areas including infrastructure and job training. Doing so, Elmendorf said, could help address troubling trends of wage stagnation, particularly for people with lower and middle incomes.

To close the session, Harwood posed a question from an online observer, who asked Elmendorf what he believed to be the most important concept for everyday citizens to understand in relation to the U.S. budget situation and fiscal options.

Elmendorf replied, “The most important concept in economics is opportunity cost, and [therefore there] are tradeoffs. And we can't pretend that there aren't. We need to confront them. And we need to recognize that various objectives we like [such as] receiving more in government benefits and services and paying less in taxes, that you can't have everything you want. That there are choices to be made.”



**Betty Liu**  
*Anchor, "In the Loop  
with Betty Liu,"  
Bloomberg Television*

**Alan Greenspan**  
*President, Greenspan  
Associates; Former Chairman,  
Federal Reserve Board*

**Richard W. Fisher**  
*Former President and CEO,  
Federal Reserve Bank of Dallas*

# Paying for the Past: How Will Rising Costs Affect Economic Growth?

Richard W. Fisher, Alan Greenspan,  
Lawrence B. Lindsey

MODERATOR: *Betty Liu*





**Lawrence B. Lindsey**  
*President and CEO, The Lindsey Group;  
Former Director, National Economic  
Council under President George W. Bush;  
Former Governor, Federal Reserve Board*

# Interest

**IN THE DAY'S FIRST PANEL DISCUSSION**, a trio of respected voices—Richard Fisher, former President and CEO of the Federal Reserve Bank of Dallas; Alan Greenspan, former Federal Reserve Board Chairman; and Lawrence Lindsey, former Director of the National Economic Council and former Governor of the Federal Reserve Board—explored the likelihood of rising interest rates and the risks that increased borrowing costs pose for the economy.

The panelists found broad agreement that the combination of rising interest rates and large unfunded liabilities on the federal government's balance sheet presents serious challenges for public-sector investment and private-sector growth.

Fisher took stock of the scope of federal government obligations: "If you add up the numbers in terms of what's held by the public and the intergovernmental holdings, we're talking [about] a number that's pushing \$18 trillion. It does not include these unfunded liabilities of Medicare, Medicaid, Social Security, [and other commitments] ... so we're talking about very big numbers." Speaking about the insolvency of the Social Security trust funds, Lindsey said that program "does not have enough money to pay its obligations. So that's an issue we all have to confront. It is coming, it is coming soon, and it is not being discussed."

Greenspan cautioned that these "contingent liabilities" pose serious threats to our economic health, tying our long-term fiscal outlook to the "sluggishness" in today's economy. He added that "standards of living can only grow if productivity is growing."

Panelists warned of a future in which borrowing costs begin to crowd out not only public-sector investments but also the essential social safety net. Fisher said, "Imagine the political turmoil if you get to a point where you have to cut payments to those you've promised payments to and instead say, 'We have to pay interest on the debt.'" He called such a scenario "a political train wreck that's about to happen, and we have to somehow urgently come to grips with it."

Lindsey said that our fiscal challenges are not as far in the future as some might think: "Just think about 2025. The next president, if he or she serves two terms, will be submitting the 2025 budget." He noted that at that time mandatory spending, including interest, health-care costs, and Social Security, is projected to be significantly higher as a percentage of gross domestic product than it is currently.

Greenspan agreed that it's better to deal with our long-term fiscal imbalances now, rather than waiting. He advised that "we are going to have to come to grips with it or the markets will do it for us. And that is not going to be a very happy experience."

Citing America's entrepreneurial spirit, Fisher used a horse racing analogy to look to the future optimistically: "I think deep in my heart if our fiscal authorities would get on the stick and do the brave things ... [we] would be [like] Secretariat at Belmont in 1973, winning by 30 lengths."

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# Congressional Leaders: Opportunity for Legislative Action on Fiscal and Economic Challenges

Representative Tom Price,  
Representative Kevin McCarthy,  
Representative Steny Hoyer

INTERVIEWER: *Dana Bash*

AS CONGRESS considers a range of important budgetary and economic policies, CNN's Dana Bash moderated a series of one-on-one conversations with key legislative leaders at the center of this debate.

## **House Budget Chairman Tom Price**

House Budget Committee Chairman Tom Price said that though Congress did approve a joint budget agreement, many important decisions about funding government priorities remain. In particular, this fall lawmakers must address the upcoming expiration of spending levels established under the "Murray-Ryan" budget compromise, or potentially face another government shutdown. Price outlined the give-and-take be-

tween funding short-term priorities and putting the nation on a more sustainable long-term path, arguing that in order to support discretionary priorities such as scientific research, "we've got to reform ... Medicare, Medicaid, Social Security, which are two-thirds of the spending here in Washington. If we don't get those under control, we're always going to be challenged on the discretionary side because the entitlement spending grows and grows and grows [due to] the changing demographics of our society."

In meeting our long-term fiscal and budgetary challenges, Price stressed that Americans are more interested in ensuring greater economic growth and opportunity than in fighting partisan battles: "The American people, frankly,

**Dana Bash**  
*Chief Congressional  
Correspondent,  
CNN*

**Representative Tom Price**  
*(R-GA) Chairman,  
House Budget Committee*



Dana Bash

Representative Kevin McCarthy  
(R-CA) House Majority Leader



don't care whether it's a Republican solution or a Democratic solution. They want a solution, and they want folks to work together here in this town. And the challenges are huge from an economic standpoint. We've got to get this economy growing."

### House Majority Leader Kevin McCarthy

House Majority Leader Kevin McCarthy gave an overview of legislative action in the 114th Congress, acknowledging that there is much work to be done, but noting many positive trends in policy moving forward. He cited the Sustainable Growth Rate bill, or "doc fix," which was signed into law, and identified trade promotion authority, highway funding, and corporate tax reform as areas for further bipartisan compromise.

Tying progress on these pieces of legislation to economic growth, McCarthy said, "Think about it. If we were able to do trade, infrastructure, and be able to compete with tax reform, [the] next century looks pretty good for America."

McCarthy emphasized that it is imperative for lawmakers to face our nation's long-term fiscal imbalance: "You cannot sustain this debt. You cannot sustain the current entitlement programs. You've got to have an honest debate."

Looking ahead to 2016, McCarthy predicted that fiscal and economic policy options will be a prominent part of the debate during the upcoming presidential election, and he argued that the candidate who lays out a vision for the future on these issues "is really going to be the person that wins the election."

**Representative Steny Hoyer**  
*(D-MD) House Democratic Whip*



### **House Democratic Whip Steny Hoyer**

House Democratic Whip Steny Hoyer continued the conversation about challenges and opportunities in setting the legislative agenda. Outlining his approach to finding bipartisan solutions in a diverse political body, Hoyer argued that it's important to be willing to compromise. He said, "You cannot have an ideology which says, 'This is my position and I will not move from it.'"

Hoyer stressed that when it comes to critical legislation facing Congress and the country, it's better to focus on policy than on politics. He said, "We need to bring some certainty and reasonableness to this debate, not simply political messaging on either side of what either side would like to happen, but bring the certainty of an agreement on fiscal policy,

on tax policy, on immigration policy, on [the] Export-Import bank, on [the] Highway Trust Fund."

Looking long term, Hoyer reiterated his support for a comprehensive budget plan that stabilizes the debt over the decades ahead: "We're going to have to get our country on a fiscally sustainable path. And [it will] have to be along the [lines] of a Simpson-Bowles or 'Gang of Six' type of agreement, where we deal with entitlements and we deal with revenues."

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# Perspectives from the West Wing: Former White House Chiefs of Staff and Policy Opportunities

Joshua B. Bolten, Andrew H. Card,

MODERATOR: *Ruth Marcus*

**THE LUNCH SESSION** featured a unique bipartisan panel of former White House Chiefs of Staff: Josh Bolten and Andy Card, who served under President George W. Bush, joined Bill Daley, who served under President Barack Obama, for a conversation moderated by *Washington Post* columnist Ruth Marcus about the intersection of politics and policy in the West Wing.

All three panelists described the political headwinds that can impede efforts to address our nation's long-term fiscal challenges, including competing priorities and the difficulty of communicating complex budgetary and economic policy choices to the American people. Still, the panelists offered a number of lessons learned and reasons for optimism going forward.

Bolten acknowledged the seriousness of the challenges, but he expressed confidence that the nation will get its fiscal house in order, saying, "I think the situation is dire ... [and] it remains the largest threat to the prosperity of this nation going forward. I [am] confident because there are solutions to solve every one of these problems."

All three panelists agreed on the importance of clear and direct communication with the American people about the costs and benefits of fiscal reform. Daley argued that leaders must be willing to engage in a campaign with the American people on the need for a comprehensive fiscal reform deal. Bolten added, "It requires presidential



# on Politics

## William M. Daley



leadership ... and I believe [a] presidential leader who is good at it, whether Democratic or Republican, who has taken the risk of campaigning on it, will get credit [for] being a responsible campaigner, number one. And number two, [that person] will have capital when they actually have to go implement.”

Marcus asked each panelist how he would advise future presidents to best address the nation’s fiscal challenges, rather than “kicking the can down the road.” Card advocated for inclusive leadership, recommending that a future president put forth “a broad outline” but at the same time “invite others to be part of the same solutions ... so that you don’t lock yourself into ‘it’s my way or the highway.’” By allowing others to influence a plan’s details, Card said, a president can help ensure that more groups and individuals have a stake in its ultimate success.

Daley suggested that while it is essential to lay out a detailed plan, it is equally important to be flexible and to understand that the plan will change through the legislative process. As an example, he recounted the legislative process to pass the Tax Reform Act of 1986 under President Ronald Reagan. Daley noted that while President Reagan proposed “a pretty detailed plan, what ended up out of Congress was nothing like that.” When it comes to major fiscal and economic reforms, Daley said that presidents should “put [the plan] out there but then engage—and expect lots of changes to it.”

Bolten agreed with the approaches suggested by his fellow panelists and further emphasized that public engagement is a critical part of the process. Presidents, he said, “need to prepare the American public for what none of the elected politicians want to deal with, which is changing the trajectory of growth in Social Security, Medicare, and Medicaid. It all can be done. Nobody wants to do it. You have to go out and ... make the case for that.”

To close the session, Bolten commented, “I would say to the next president, look for that next opportunity, because it needs to be done and it can be done.”

FROM LEFT:

**Andrew H. Card**

*President, Franklin Pierce University; Former White House Chief of Staff under President George W. Bush*

**William M. Daley**

*Managing Partner and Head of U.S. Operations, Argentièrre Capital; Former Secretary of Commerce; Former White House Chief of Staff under President Barack Obama*

**Joshua B. Bolten**

*Managing Director, Rock Creek Global Advisors LLC; Former White House Chief of Staff under President George W. Bush*

**Ruth Marcus**

*Columnist, The Washington Post*

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# Solutions Initiative III: Solutions Do Exist

Josh Bivens,  
Jason Grumet,  
Douglas Holtz-Eakin,  
Neera Tanden,  
Alan D. Viard

MODERATOR: *David Wessel*

**FOR THE THIRD ITERATION** of its Solutions Initiative, the Peterson Foundation once again convened researchers from respected policy organizations from across the spectrum to put forward comprehensive plans for stabilizing America's fiscal outlook in the decades ahead. While each plan reflects different policy priorities, the plans demonstrate clearly that comprehensive solutions do exist and that lawmakers have the tools available to build a solid fiscal foundation and ensure economic growth.

In this panel, experts from the five participating organizations—Douglas Holtz-Eakin from the American Action Forum (AAF), Alan Viard from the American Enterprise Institute (AEI), Jason Grumet from the Bipartisan Policy Center (BPC), Neera Tanden from the Center for American Progress



**David Wessel**  
*Director, Hutchins Center  
on Fiscal and Monetary  
Policy, Brookings  
Institution; Contributing  
Correspondent,  
The Wall Street Journal*

**Douglas Holtz-Eakin**  
*President, American  
Action Forum; Former  
Director, Congressional  
Budget Office*

(CAP), and Josh Bivens from the Economic Policy Institute (EPI)—discussed their plans to stabilize America's debt over the long term, emphasizing both similarities and differences.

Moderator David Wessel of the Brookings Institution and *The Wall Street Journal* began the panel by pointing out that all the groups believe that we're on an unsustainable course and that they all put forward a plan to achieve sustainability, presenting a range of policy options for lawmakers. Panelists





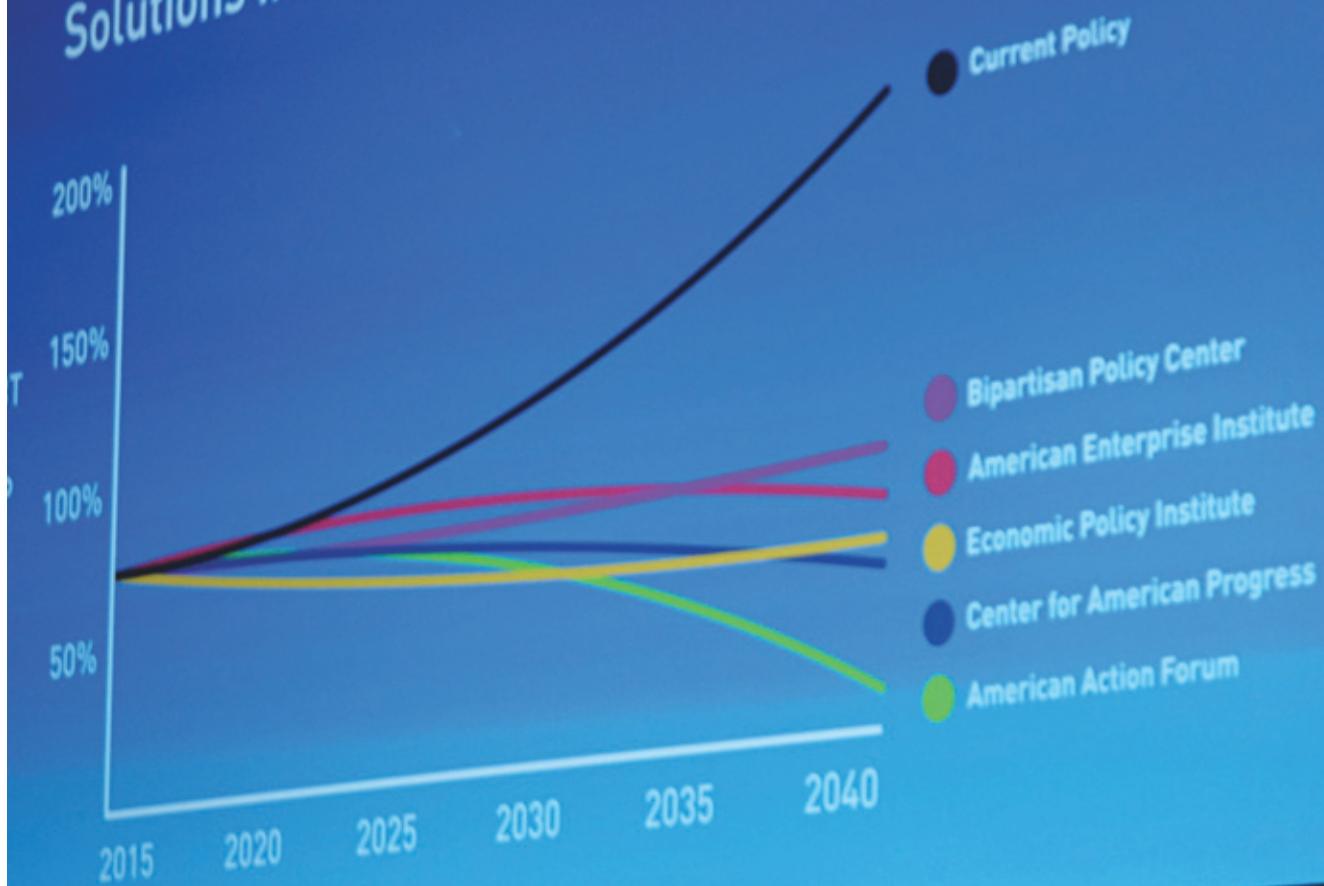
largely agreed that stabilizing our long-term debt and enhancing economic growth and opportunity over the long term are more important goals than hitting any specific debt-to-GDP ratio.

The plans from AAF and AEI researchers generally relied more heavily on spending cuts, stressing the importance of reforming entitlement programs to account for changes in demographics. Holtz-Eakin identified what he called “three big

problems”: low growth, the sustainability of the social safety net, and the fact that so much of the budget is accounted for that there’s no room for additional initiatives.

Tanden expressed the idea that we can “walk and chew gum” at the same time by investing in domestic priorities now while committing to long-term solutions that put us on a more sustainable path. Tanden and Bivens argued that the economic growth we have seen since the Great Recession has

# Solutions Initiative III: Projected Federal Debt



David Wessel



been uneven, adding that the plans from both CAP and EPI are particularly targeted at ensuring that prosperity is more evenly shared among all Americans.

Each group of researchers recommended sweeping changes to tax policy. In outlining his plan's tax reform principles, Viard described what he called the "crazy quilt" of energy and environmental regulations and tax expenditures, which have created inefficient markets. Increasing revenues by pricing carbon and introducing a gasoline tax to more fully sustain the Highway Trust Fund are ways to "harness market forces" to achieve environmental goals, Viard said.

Grumet, stressing the need to look more broadly at comprehensive tax reform and possible trade-offs, said, "There's a lot to be said for taxing things you don't want, like carbon, and reducing taxes on things you do want, like labor and savings." The plans from EPI and CAP relied on increased revenues to fund investment priorities and close long-term budget gaps.

Bivens said that EPI's plan prioritized public investment as a key driver of productivity growth, including areas such as infrastructure. While Viard agreed that public investment can play "an indispensable role," he said the challenge is to "make sure that the investment is productive ... and if we look at history, we find some public investments that [were] very wise and very productive, and some investments that weren't. So we think we do need to keep the resources available so that we can do the investments that are needed, that are productive, and that are appropriately done at the federal level."

In closing the session, Wessel asked panelists if parts of their plan would help "increase the odds that a poor kid can make it to the middle class."

Bivens and Tanden both highlighted their plans' focus on education as an investment in our country's long-term future, including prekindergarten and college access as key ways to enhance mobility for lower-income Americans. Viard and Grumet underscored the progressive nature of tax reforms in their plans as a key way to ensure a fairer and more efficient tax code, thereby removing financial obstacles placed on low-income households and helping to increase investment in new businesses that would otherwise face barriers to entry. Holtz-Eakin agreed with the importance of reforming the tax code and also identified immigration reform as a "pro-growth opportunity for the United States."

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# Fiscal Summit Videos: Solutions Initiative III

**THROUGHOUT THE DAY**, the five Solutions Initiative III organizations highlighted their plan's priorities and values through short individual videos. Researchers from each group described the need to act, the policy choices in their plan, and the benefits of securing our nation's fiscal and economic future. The videos also included each group's recommendations to the president and Congress about the highest-priority policies to pursue.

In order of appearance:

- **Gordon Gray**, Director of Fiscal Policy at the American Action Forum
- **Alan D. Viard**, Resident Scholar at the American Enterprise Institute
- **G. William Hoagland**, Senior Vice President at the Bipartisan Policy Center
- **Harry Stein**, Director for Fiscal Policy at the Center for American Progress
- **Josh Bivens**, Research and Policy Director at the Economic Policy Institute



“If the next president pursued ... tax reform, entitlement reform, and immigration reform, I think they will have tackled the three biggest public policy challenges.”



“Our country works best when it's inclusive, when everybody's participating in the economy, when no one's left behind, [and] when everybody has a fair shot.”



“The top three priorities that we would recommend to the president [are] tax reform, Social Security reform, and health spending reform.”



“The future of this country lies in a budget that is centrist.”



“Our clearest value is that economic policy is a failure if it does not result in broadly shared prosperity.”

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# Ladders of Opportunity: A Conversation with Secretary of Housing and Urban Development Julián Castro

INTERVIEWER: *John Harwood*

**IN THIS SESSION**, Julián Castro, Secretary of the U.S. Department of Housing and Urban Development (HUD), made a strong case for investing in housing as a key part of increasing opportunity and improving outcomes for lower-income Americans—but doing so within the context of a broader strategy. Castro said we should not see the problem as simply “a matter of improving housing or improving education or improving transportation for small business. But doing all of that at the same time. And in doing that, holistically lifting up the economic opportunity and the quality of life of neighborhoods.”

Acknowledging that we face a challenging budget landscape with limited resources, Castro emphasized the importance of measuring outcomes to ensure efficient returns on investment in HUD programs and other domestic priorities.

Castro cited HUD’s Housing Choice Voucher program as a critical lifeline for families across the country and a program that could be expanded to have even greater influence “in terms of educational achievement and earnings.”

Castro warned that a lack of investment in domestic priorities could hurt our global competitiveness and leadership, noting that “we are engaged in this competition for investment and jobs and opportunity with nations that are rising like they never have ... before.” He said

that the recent cuts in domestic discretionary funding put us at a disadvantage as other countries are producing populations that are “very well educated, who are ambitious and intelligent and innovative and ready to produce the companies and the technologies that are going to define prosperity in the 21st century. And they’re using a model that the United States used after World War II, which was to invest in itself. Whether it was in the national highway system or in NASA or in our colleges and universities, it’s that good balance between making strong investments and also having a free market economy that led to the success the United States has had. And we’re pulling back on one-half of that.”

Summing up the vision of the Department of Housing and Urban Development, Castro said, “We see housing as a platform to create greater opportunity. It matters where you live in terms of educational achievement. It matters whether you have a place to call home so that you have the stability to build on ... everything else in life. And these initiatives ... are just fundamental to lifting up the quality of life and the economic opportunity for folks.”



**Secretary Julián Castro**  
*U.S. Department of Housing  
and Urban Development*

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# Empowering the Next Generation: Investing in Our Future and

Naomi Hirabayashi, Wendy Kopp, Lena Shi, Marc S. Tucker  
MODERATOR: *Annie Lowrey*

**THE DAY'S NEXT PANEL** explored how today's economic conditions—and tomorrow's fiscal challenges—will affect the next generation of young leaders, with a particular focus on educating a 21st-century workforce that can compete globally.

Marc Tucker, President and CEO of the National Center on Education and the Economy, described the current skills gap that exists between America and the rest of the world. As a nation, Tucker said, our “skills are falling further and further and further behind our competitors. The millennials in the United States are up against people from all over the world. We used to compete with the people on the other side of town. It's now famously the case that we compete with ... people on the other side of the world.”

Wendy Kopp, CEO and Co-founder of Teach For All, identified an underperforming and uneven education system as contributing to this skills gap. “We do have hugely differential rates in the degree to which kids, just based on their own background, end up completing high school and completing college,” she said. “At the same time, we have a system that is oriented towards inadequate outcomes.”

Naomi Hirabayashi, the Chief Marketing Officer at DoSomething.org, spoke about the importance of awareness, education, and engagement in

millennials—especially when it comes to complex or often misunderstood fiscal and economic issues. She advised that “if you really want young people to be empowered to take this issue on themselves and be not just the recipients or the receiver of the message, but to own it, they have to understand it. You can't own something you don't understand.”

Lena Shi discussed her experience with Up to Us, a nationwide campus

program that empowers young people to raise awareness about the nation's long-term fiscal challenges by mobilizing students to learn about these issues and to call on leaders in Washington to find solutions. Lena pointed to her experience as a valuable way to engage young people in issues that affect their economic future. She noted, “When my team and I joined Up to Us, it was the first initiative of its kind for students to try and engage



**Annie Lowrey**  
*Reporter, New York Magazine*

**Wendy Kopp**  
*CEO and Co-founder,  
Teach For All*



# Ensuring Economic Mobility



**Lena Shi**  
*Alumna and Advisory Council Member,  
Up to Us—University of Virginia Team;  
Presidential Management Fellow, U.S.  
Department of Education*

**Naomi Hirabayashi**  
*Chief Marketing Officer,  
DoSomething.org*

**Marc S. Tucker**  
*President and CEO, National Center  
on Education and the Economy*

other students on these complex issues of fiscal policy and the budget process. ... [U]ltimately, we were able to bring together 2,000 people to learn about the national debt and fiscal issues.”

Kopp agreed with the importance of involving young people in their own education in a personal way: “If we were serious about this, we could change the way we operate, and we could get much, much better. ... I think the

number one thing to do, if we want our kids to start taking this on, [is to] give the kids real information. Kids want to do well. When they realize that they are so far below these kids in other countries, let me tell you, that gets them on a mission.”

Shi noted optimistically that her experience ran counter to the stereotype of young people being disinterested in the ways that today’s policy decisions af-

fect economic opportunity and quality of life. “When we started our fiscal policy campaigns at college campuses,” she said, “there was always this assumption that young people aren’t really interested in fiscal issues or the budgetary process. And from what we saw throughout the six weeks, we realized that wasn’t true, because there were so many students who were coming voluntarily ... just to learn more about these issues.”

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# Fiscal and National Security in a Changing World

Michèle Flournoy,  
Admiral  
Mike Mullen

MODERATOR: *David E. Sanger*

**TO CLOSE THE SUMMIT**, two of America’s most respected defense experts discussed the connection between our nation’s fiscal strength and national security. *New York Times* National Security Correspondent David Sanger led a conversation with Admiral Mike Mullen, former Chairman of the Joint Chiefs of Staff, and Michèle Flournoy, former Under Secretary of Defense for Policy.

To begin the session, Mullen stated his view that the greatest threat to America’s national security is its debt, which will undermine our ability to invest in key priorities, including national defense. Mullen noted that America’s long-term fiscal challenges have not been addressed and that the problem has only worsened, with interest costs beginning to consume larger and larger portions of the budget. He called this trend “very damaging” to the military’s overall readiness.

Flournoy agreed, saying that “our national security rests on the foundation of our fiscal and economic health. ... What’s really paralyzed us and has done real damage ... has been the acute partisanship and the degree of polarization that has caused people to fail to make the sort of pragmatic budget deal that we all know needs to be made.”

Mullen also identified partisanship as a key detriment to forward-looking policymaking, and he stressed that despite improvements in the economy and lower current deficits, the long-term debt problem remains. He emphasized the need for certainty in the budget process, particularly for the Department of Defense’s long-run planning. It would be “hugely critical,” he said, if the Pentagon could “actually plan more than 12 months at a time.”

Flournoy added that indecision and partisan gridlock has real costs for our nation’s future: “We are really stuck in a way that is starting to do real harm—in terms of building the defense we need for the future.”

Mullen described the changing global circumstances that

**David E. Sanger**  
*National Security Correspondent,*  
*The New York Times*



**Michèle Flournoy**  
*CEO, Center for a New American  
Security; Former Under  
Secretary of Defense for Policy*

**Admiral Mike Mullen**  
*USN (Ret.), President, MGM  
Consulting LLC; 17th Chairman,  
Joint Chiefs of Staff*



compel the United States to adapt, underscoring the need for adequate planning and funding. He said that there is a “tendency to isolate after war, I understand that. But ... the world’s in pretty tough shape right now. We have to be very, very diligent about what we’re going to do and how we’re going to resource it.”

Rather than across-the-board austerity in the discretionary budget, Flournoy said we should instead look to make “reasonable investment in the things that will determine the future of the United States [such as] education [and the] ability to support our leadership globally. ... What’s been lost is the tried and true tradition of American compromise, pragmatic compromise.”

She emphasized that solutions exist to stabilize our long-term fiscal outlook: “If we closed the doors in this room and locked them and said, ‘We cannot leave this room until all of us come up with a reasonable budget compromise for the United States of America,’ I assure you that by the time we were hungry for dinner, we would have a sense of reasonable tax reform, reasonable entitlement reform.”

Looking forward, Mullen reiterated sentiments expressed earlier in the day about the need for fiscal and economic issues to be at the forefront of the upcoming election, with voters and candidates engaged and informed. He said, “In order for this issue—the debt issue and the fiscal crisis that we’re in—to get any legs, it’s got to be part of the campaign.”

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# Fiscal Summit Video: Opportunity for America

**IN AN OPENING VIDEO**, well-respected leaders in policy, academia, and business offered perspectives on today's economic condition, the long-term fiscal outlook, and the opportunity that lawmakers have to put the country on a sustainable path that supports economic growth, prosperity, and mobility today. The video included thoughts and views from the following leaders:

- **Raj Chetty**, William Henry Bloomberg Professor of Economics at Harvard University
- **Ray Dalio**, Founder of Bridgewater Associates
- **Glenn Hubbard**, Dean of the Columbia Business School; Former Chairman of the Council of Economic Advisers under President George W. Bush
- **Alice Rivlin**, Leonard D. Schaeffer Chair in Health Policy Studies and Director of the Center for Health Policy at the Brookings Institution; Former Director of the Congressional Budget Office
- **Lawrence H. Summers**, Charles W. Eliot University Professor and President Emeritus at Harvard University; Former Treasury Secretary and Former National Economic Council Director under President Bill Clinton



“Investing in improvements in opportunity will have long-term payoffs that will be ... a key driver of economic growth in the long run.”



“If we were to invest in the skills of our labor force and improving our infrastructure and do it in a fiscally responsible way, ... the future would be quite golden.”



**Ray Dalio**

“We are not going to be able to squeeze out growth in the future the way we have ... in the past because of the existing high levels of indebtedness.”



**Glenn Hubbard**

“As a society, we’ve got a big choice to make. ... If we’re serious about opportunity for the future, we have to get our fiscal house in order.”



**Lawrence H. Summers**

“If there is room in the budget, there is room to dream. If all of the revenues that we can expect 10 years out are spoken for and more, there’s much less room to dream.”







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For more photos and full video from the 2015 Fiscal Summit, please visit [www.fiscalsummit.com](http://www.fiscalsummit.com).

*Photos by Ralph Alswang, Michael Bonfigli, and Chris Williams*