

# 2014

# FISCAL SUMMIT

## OUR ECONOMIC FUTURE

SPONSORED BY THE PETER G. PETERSON FOUNDATION



# Summary and Highlights

May 14, 2014 | Washington, D.C.



Peter G. Peterson  
Foundation  
Our America. Our Future.



# Introduction

The Peter G. Peterson Foundation held its fifth annual Fiscal Summit on May 14, 2014 in Washington, D.C. The Summit, titled “Our Economic Future,” convened a range of the nation’s preeminent thought leaders and policymakers to discuss the connection between fiscal health and economic strength.

Building a strong fiscal foundation—where spending and revenue are in general balance and the long-term debt is stabilized at a reasonable level—will help ensure the conditions for economic growth and opportunity for all Americans. Improving our long-term fiscal picture will help foster an environment with greater access to capital, more private investment, improved business and consumer confidence, and the ability to invest in priorities like education, research and development, and infrastructure.

The 2014 Fiscal Summit explored what we, as a nation, have to gain if we act now to strengthen our fiscal foundation; promote a growing, thriving economy; and ensure that our future isn’t diminished by our past.

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# 2014 Fiscal Summit: Our Economic Future

## 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.



## Welcoming Remarks

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

## Opening Remarks: Our Economic Future

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

## Macro Perspectives: Viewpoints On Economic Growth and Fiscal Reform

*Glenn Hubbard*, Dean and Professor of Finance and Economics, Columbia Business School

*Alan Krueger*, Professor of Economics and Public Affairs, Princeton University

MODERATOR: *Lori Montgomery*, Reporter, *The Washington Post*

## Congressional Leaders: Long-Term Fiscal Planning in a Short-Term Political World, Session One

*Senator Patty Murray* (D-WA), Chairman, Senate Budget Committee

*Senator Rob Portman* (R-OH), Member, Senate Budget and Finance Committees; Former Member, Joint Select Committee on Deficit Reduction

INTERVIEWER: *Nancy Cordes*, Congressional Correspondent, CBS News

## Investing in America's Future: Policy Choices for Shared Prosperity and Growth

*President Bill Clinton*, Founder of the Bill, Hillary, & Chelsea Clinton Foundation and 42nd President of the United States

INTERVIEWER: *Gwen Ifill*, Moderator/Managing Editor, *Washington Week*;  
Co-Anchor/Managing Editor, *PBS Newshour*

## Lessons from the Statehouse: Balancing Fiscal Reform with Pro-Growth Investments

*Governor Chris Christie* (R-NJ)

INTERVIEWER: *Bob Schieffer*, Chief Washington Correspondent and Anchor of *Face the Nation*, CBS News

## The Effects of Long-Term Debt on Market Confidence and Economic Growth

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

INTERVIEWER: *Ben White*, Chief Economic Correspondent, *Politico*

## Powering the Economic Engine: Perspectives on Investing in Growth, Innovation, and Competitiveness

*Sheila Bair*, Former Chairman, Federal Deposit Insurance Corporation; Senior Advisor, The Pew Charitable Trusts

*Erskine Bowles*, President Emeritus of the University of North Carolina; Co-Chair of the National Commission on Fiscal Responsibility and Reform

*John Engler*, President, Business Roundtable

MODERATOR: *Peter Cook*, Chief Washington Correspondent, Bloomberg Television

## Congressional Leaders: Long-Term Fiscal Planning in a Short-Term Political World, Session Two

*House Democratic Leader Nancy Pelosi* (D-CA)

*Representative Peter Roskam* (R-IL), Member, Committee on Ways and Means

INTERVIEWER: *Nancy Cordes*, Congressional Correspondent, CBS News

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# Welcoming Remarks

## Pete Peterson

**PETE PETERSON**, Chairman and Founder of the Foundation, welcomed attendees to the 2014 Fiscal Summit, setting the stage for the day's program. Peterson gave a brief overview of the Foundation's work as a nonprofit, non-partisan organization dedicated to increasing awareness of the long-term fiscal challenges threatening America's future and to accelerating action on them.

Under Peterson's leadership, the Fiscal Summit has become the premier annual gathering focused on addressing our nation's long-term debt and economic future. Now in its fifth year, the Fiscal Summit is a key part of the Peterson Foundation's work to build consensus and support for putting America on a sustainable long-term fiscal path, which will help ensure economic growth and opportunity for all Americans in the decades to come.

Calling our nation's unsustainable long-term fiscal outlook "a central threat to the future economy," Peterson discussed the need to address America's fiscal imbalance so that we have the resources to invest in our own future. He noted that economists agree on the importance of increasing investment in priorities like "education, skill training, research and development, and infrastructure" in order to compete in the knowledge-based, global economy. "But if we're going to invest more," he said, "the uncomfortable question is, 'Where do we get the resources to invest?'"

He said that in 25 years interest costs alone are projected to reach a level that is more than four times what the government historically spends on education, infrastructure, and research and development, threatening to crowd out these essential investments. "Interest," he said, "buys us nothing. It's essentially about the past and not the future." Underscoring his belief that we need to protect and bolster the still-recovering economy in the short term, while addressing our projected long-term fiscal challenges in the decades ahead, he added, "[T]his set of facts, to me, makes clear the critical need [to] both reduce our debt [and] find the resources for investment."



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# Opening Remarks: Our Economic Future

## Michael A. Peterson

**MICHAEL PETERSON**, President and Chief Operating Officer of the Foundation, gave opening remarks, highlighting the connection between the nation's fiscal outlook and economic growth. Peterson pointed out that while the economy has improved, there is still much work to be done, as unemployment remains high, growth is sluggish, and "too many American families have yet to feel economic relief."

While some have become afflicted with "debt fatigue" and the political paralysis that comes in an election year, Peterson argued that "now more than ever, it's critical to remember the connection between our fiscal outlook and our economic health."

Describing sound fiscal policy as "the pathway to a brighter economic future," Peterson underscored the importance of activating powerful drivers of growth, including greater access to capital, more confidence, increased private investment, and more resources to invest, boosting productivity and innovation. "In these and many other ways," he said, "a solid fiscal foundation supports a vibrant economy with rising wages and more mobility and opportunity for Americans."

Peterson noted that voters widely share the view that our fiscal health is connected to our economic strength, citing the results of a recent national poll commissioned by the Foundation. The survey found that 91 percent of Americans agree that a stable fiscal foundation will help the economy grow, and 80 percent agree that mobility and opportunity will improve if the United States reduces its debt. These results spanned ideological and socio-economic backgrounds.

Concluding his comments with a positive future outlook, he said, "The good news is that we can still make the right choices to ensure economic prosperity for America. There are policy decisions to make and politics to overcome—but ultimately, it's simple math. We know the problem, and the solutions are right in front of us. It's time to get it done."



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

# Macro Perspectives: Viewpoints on Economic Growth Glenn Hubbard and Alan Krueger

MODERATOR:

*Lori Montgomery*

**THOUGH THEY SERVED** under presidents of different political parties, two of the nation's leading macroeconomists found much to agree on in a discussion about the economic implications of long-term debt. Interviewed by *The Washington Post's* Lori Montgomery, Glenn Hubbard and Alan Krueger explored policies to spur economic growth, including tax reform, immigration, and public investments in areas like infrastructure, job training, and education.

Hubbard, Chairman of the Council of Economic Advisers under President George W. Bush, outlined what he called the nation's three big economic challenges: recovery, long-term growth and balance. He noted, "I think Pete Peterson had it exactly right ... this is about future orientation versus past orientation. We risk becoming a nation of entitlements and interest payments, not able to make the investments in our long-term future."

Krueger, who served as Chairman of the Council of Economic Advisers under President Barack Obama, added, "I think our problem is not the near-term deficit. It's the intermediate and the long-term. We have it within our means to address it. I think the outlines were there in Bowles-Simpson and in grand bargain negotiations."

Discussing what's best for the recovery, Hubbard said, "In my mind, the economy needs a jolt. And the jolt would be something that improves busi-

ness people's long-term confidence. That would be tax changes, tax reform, trade reform, immigration reform, but yes, also public spending."

## and Fiscal Reform



**Glenn Hubbard**  
*Dean and Professor of  
Finance and Economics,  
Columbia Business School*

**Alan Krueger**  
*Professor of Economics  
and Public Affairs,  
Princeton University*

economists strongly agreed reform is needed, though they expressed slight differences on where to target the reform. Hubbard advocated "lowering marginal rates and broadening the tax base" for individuals and corporations in order to increase economic growth. Krueger saw the corporate side of the code as most in need of reform, saying "it's hard to conceive of a worse tax code than the one that we have on the corporate side. [It] doesn't raise much revenue, it gives incentives to keep money abroad, it gives incentives for inversions of companies. It distorts economic activity in all kinds of ways."

Closing on an optimistic note, both cited immigration reform as a promising way forward for a Congress that has been too divided to make progress on other major legislation. Krueger said, "I think immigration reform is probably the lowest-hanging fruit as far as economic and fiscal policy goes." Hubbard agreed, adding, "It should be in both sides' economic and political interest to accomplish that. And it would provide a signal far beyond immigration reform that says, 'Look, we can talk about big things that are contentious and come to a solution.'"

Krueger agreed with Hubbard, adding that there must be a strategy to focus specifically on the middle class. Framing the problem as a "middle-

class jobs deficit," he highlighted education and infrastructure as powerful investments in this area.

When it comes to tax reform, the



**Patty Murray**  
*(D-WA) Chairman,  
Senate Budget Committee*

# Congressional Leaders: Long-Term Fiscal Planning in a Short-Term Political World *Session One*

IN ORDER OF APPEARANCE:

**Senator Patty Murray**  
**Senator Rob Portman**

INTERVIEWER:

*Nancy Cordes*

IN THE DAY'S FIRST INTERVIEW with an elected official, Senate Budget Committee Chair Patty Murray assessed what's happened in the year since she appeared at the 2013 Fiscal Summit, including the government shutdown, the sequester, and the budget deal she forged with House Budget Committee Chair Paul Ryan. Interviewed by CBS's Nancy Cordes, Senator Murray said that trust was critical in achieving her bipartisan deal with Chairman Ryan but that huge challenges remain in the areas of fiscal responsibility and investments the country can make "to make sure we're competitive in the global marketplace." Cautioning that "big deals are hard," Murray specifically cited immigration reform and a transportation bill as areas of focus that could help promote economic growth in

the short run and ultimately put us on sounder fiscal footing.

Murray said it's clear that short-term deficits have been reduced significantly, but "where we have a challenge is in the long run. And the drivers of that long-run fiscal challenge [are] the cost of healthcare and interest." She named the tax code and entitlements as parts of our budget that have a "huge impact ... and have to be addressed to deal with the long-term fiscal challenges that we have."

When looking at long-term fiscal solutions, Murray stressed two key underlying principles: "[First,] we can't do it in a way that upsets our economy. And secondly, we have to do it in a balanced way." She said it's important that comprehensive solutions "look at how everybody in this country, from the smallest person to the wealthiest person, contributes a fair share."

Murray also highlighted the dangers of what she calls America's "education

deficit" and "infrastructure deficit," noting that we are falling behind global competitors in both areas. She argued that investing in these priorities today is important to economic growth and competitiveness—and will help stabilize our future fiscal outlook: "We can't just continue to cut education and research and development and our infrastructure and say, 'That's balancing our budget and we'll be fine in the future.'"

In talking about the fact that the current budget deal expires at the end of 2015, Murray said that "If we both listen to each other and learn to trust each other, if we find common ground rather than throwing political points at each other, and if we agree that governing by crisis is not what the American people deserve," Congress will be able to come to an agreement once again.

FOLLOWING his Democratic colleague, Senator Rob Portman discussed recent

unsuccessful efforts at achieving comprehensive fiscal reform, expressing hope that progress could be made following the mid-term elections. Portman argued that long-term debt affects our economy today and that “certainly it’s unfair, even immoral to [pass on] to future generations.”

In particular, Portman saw tax reform as an area ripe for compromise in early 2015. The Senator said he believes there is an interest in Congress to explore “tax reform that is pro-growth,” and that will reduce the deficit at the same time. He warned that if we fail to update our tax code, particularly on the corporate side, “we will continue to lose jobs and opportunity.”

Portman also stressed the importance of focusing on the mandatory side of spending—not just discretionary programs—as we seek to address the true drivers of our long-term structural imbalance. He said mandatory entitlement programs are “vital ... but must be reformed in order for them to be sustained over time.” Portman also identified healthcare as a critical area to address, arguing that we need to do more to change the focus from procedure to outcomes.

And while some point to reduced near-term deficits as a sign that further reform is unnecessary, Portman cautioned that “the fact is that based on independent analysis from the non-partisan Congressional Budget Office, we’re looking at trillion dollar deficits again within the next 10 years.”

Taking an optimistic view, Portman urged the importance of taking “full advantage of 2015, particularly the first six months of that year, when maybe there’ll be a little less politics, I hope, to try to make some of these changes, and do it, again, with the administration working with Congress.”



**Nancy Cordes**  
*Congressional Correspondent,  
CBS News*

**Rob Portman**  
*(R-OH) Member,  
Senate Budget and  
Finance Committees;  
Former Member, Joint  
Select Committee on  
Deficit Reduction*



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# Investing in America's Future: Policy Choices for Shared Prosperity and Growth

## President Bill Clinton

INTERVIEWER:

*Gwen Ifill*

IN A WIDE-RANGING DISCUSSION with PBS journalist Gwen Ifill, President Bill Clinton covered topics including long-term debt, income inequality, social mobility, economic growth, healthcare costs, immigration, tax reform, and foreign policy. This marked President Clinton's fifth appearance at the Fiscal Summit.

Throughout the conversation, the President applied lessons from his administration to the current economic and fiscal condition. He lamented that as we continue to emerge from the Great Recession, the United States has been slipping on social mobility compared to other countries around the world—which has contributed to rising inequality.

To address this growing inequality, Clinton advised that “the main thing is we need a strategy that will increase employment and change the job mix,” with an end goal of “more vigorous job growth, [and] a tighter labor market, which will raise incomes.” He also stressed the importance of preschool, technical, and career education. Noting the importance of reducing inequality, he said, “what we should be trying to do is make sure that we're all growing in real terms together. And having the right budget for the government and the right investment strategy is a part of it.”



**Gwen Ifill**  
*Moderator/Managing Editor,  
Washington Week;  
Co-Anchor/Managing Editor,  
PBS Newshour*

**President Bill Clinton**  
*Founder of the Bill, Hillary &  
Chelsea Clinton Foundation  
and 42nd President  
of the United States*

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Talking about the recent economic crisis and recovery, President Clinton said, “[T]hat’s what’s been so challenging about the subject that brings everybody together here at the Peterson Foundation. We have a long-term debt issue. We have long-term age distribution issues, aggravated by the fact that we have not passed immigration reform, which I think would ease a lot of these other problems.”

On that subject, the President made the case that a bipartisan immigration reform plan would be an economic and social good that would help improve growth and competitiveness. “I’d like to see immigration reform, but it has to be seen as an economic issue,” he said. “[T]he truth is that if we did immigration reform right, it would create more jobs ... we need young immigrants, not only because of their ideas and their energy, [but] to continue to grow the economy.”

President Clinton made a strong case for corporate tax reform, in order to unlock as much as \$1 trillion in cash held outside the United States through repatriation, stating that “we are now the only wealthy country that taxes corporations on the money they earn somewhere else when they bring it home.” He argued that coming to an agreement on allowing that money to flow back to the United States will increase private investment and boost economic growth.

The President highlighted recent improvements in healthcare cost growth but said we need to do much more to change our system of paying for procedure, not performance—echoing the comments of Senator Rob Portman and others throughout the day. “[W]e have got to have a healthcare delivery system that gets better results and is more in line with what our competitors pay,” he said, citing a “breathtaking gap” between the United States and other countries around the world that spend less but achieve better outcomes.

And as part of his concluding remarks, President Clinton summarized why it’s important to continue to care about our long-term fiscal challenges and economic growth: “The thing I like about this Peterson [Summit] is I know a lot of people think that we should have stopped talking about the deficit and the debt when the economy was down. On the other hand, to pretend that there are no long-term demographic changes or healthcare drivers here is crazy. And I think [that] continuing to focus on things like this matters ... it keeps us focused on these things that will shape the possibilities for America in the future.”

# Lessons from the Statehouse: Balancing Fiscal Reform with Pro- Growth Investments

## Governor Chris Christie

INTERVIEWER: *Bob Schieffer*



**Bob Schieffer**  
*Chief Washington Correspondent  
and Anchor of Face the Nation,  
CBS News*

**Governor Chris Christie (R-NJ)**

**DURING LUNCH**, attendees enjoyed a lively conversation between New Jersey Governor Chris Christie and CBS’s Bob Schieffer. New Jersey’s governor compared the budgetary challenges he faces at the state level to the issues that federal policymakers grapple with. In particular, he contrasted the federal budget process, which routinely produces deficits, with New Jersey’s constitutional requirement to balance its budget.

Christie also detailed how federal policy changes can have a significant effect on state coffers, saying that increased federal income tax rates for the wealthy caused some New Jersey high-earners to “accelerate” income, resulting in significant state revenue shortfalls this year.

When asked by Schieffer about his budget priorities and challenges, Christie discussed the effect of entitlements—state employee pension payments and health insurance and interest costs on New Jersey’s ability to invest in additional discretionary priorities like education or infrastructure. He said this issue is similar to the federal fiscal challenge, where “we need to do other things, like tax reform and entitlement reform, in this country to create opportunity for people to have a greater life than their parents have had.”

Another point of discussion was New Jersey’s recent successful ballot initiative that raised the state minimum wage by \$1.25. Christie outlined his support for a minimum wage increase—but emphasized that he would have preferred a phase-in, rather than immediate implementation. “My view,” he said, “is absolutely we should be raising minimum wage. But we need to do it in a responsible, graduated way, so that businesses can prepare for the impact.”

Christie also discussed his efforts to work across the aisle and find common ground with political adversaries. “I think what [the Republican] party needs to be focused on is explaining ourselves and not appearing to be intolerant,” he said. Asked about breaking through partisan gridlock, Christie responded, “Well, listen, I can only analogize to my experience in New Jersey. And I’ve had a Democratic legislature my entire time, and not by a small amount. I’m working with Democratic leaders of the legislature on everything that we have to get done.”

When Schieffer asked whether Christie is considering running for president and when he might make a decision, his answer was short and to the point: “Yes, and later.”

And talking about the prospects for progress on key fiscal issues if Republicans win the Senate in 2014, Christie said that scenario would present an “extraordinary opportunity,” particularly on “issues of trade and tax reform, that the president could find areas of compromise with Republicans.”

# The Effects of Long-Term Debt on Market Confidence and Economic Growth

## Alan Greenspan

INTERVIEWER: *Ben White*

IN CONVERSATION WITH *POLITICO'S* BEN WHITE, Dr. Alan Greenspan tackled a range of questions on fiscal, economic, and monetary policy. Talking about the current economic condition, Dr. Greenspan saw positive signs for increased growth, but also structural problems, including our long-term debt, that “make it difficult to really surge forward.”

In addition to the generally recognized level of federal debt, Dr. Greenspan also argued that the nation is on the hook for significant “contingent liabilities,” in the form of entities that remain “too big to fail.” He noted that the “safest thing politically to do is always to bail out somebody rather than not [to] bail [them] out.” He added, “This is fundamentally different from the way it was many years ago.”

Asked about the lasting effect of market bubbles on the overall economy, Dr. Greenspan offered a historical look at major episodes, including the stock market crashes in 1929 and 1987, and the more recent dot-com and housing bubbles. He explained the reason the housing bubble was much more economically damaging than, for example, the dot-com boom and crash, was because the “toxic asset” in that instance was held by a highly leveraged group of people—making the “contagion” even more dangerous.

Dr. Greenspan also highlighted the way that government debt crowds out private investment, describing the relationship between high federal spending and domestic savings rates. “The basic issue,” he said, “is that we’re just not saving enough”—resulting in lower private investment. Unfortunately, Greenspan concluded, “So long as that phenomenon continues, we’re going to get a sluggish economy. We’re not going to get the revenues on the tax side which will fund these entitlements.”

Asked about stagnant wages and slack in the labor market, Dr. Greenspan identified the main problem as “the fact that there’s an extraordinarily large amount of marginally low-income workers, which are a function, essentially, of the slowness in economic growth.” However, he added, “If we got growth up to 4 percent, that problem would disappear overnight.”



**Ben White**  
*Chief Economic Correspondent, Politico*

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



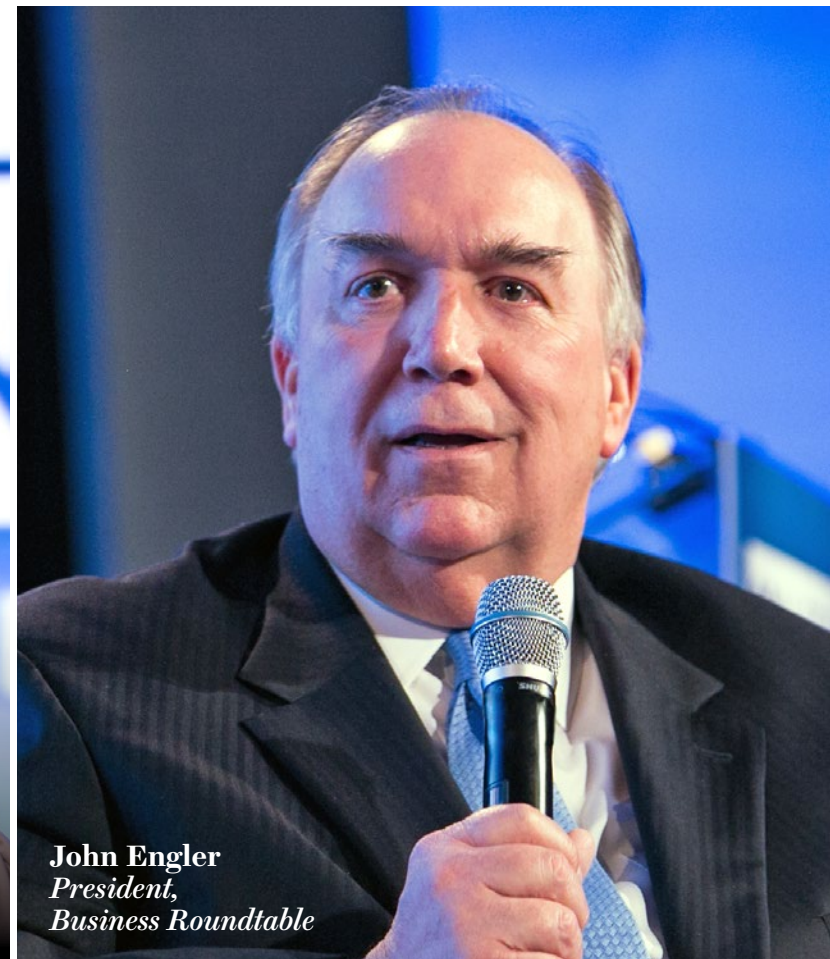
**Peter Cook**  
*Chief Washington Correspondent,  
Bloomberg Television*



**Erskine Bowles**  
*President Emeritus of the  
University of North Carolina;  
Co-Chair of the National Commission on  
Fiscal Responsibility and Reform*



**Sheila Bair**  
*Former Chairman,  
Federal Deposit Insurance  
Corporation; Senior Advisor,  
The Pew Charitable Trusts*



**John Engler**  
*President,  
Business Roundtable*

# Powering the Economic Engine: Perspectives on Investing in Growth, Innovation, and Competitiveness

## Sheila Bair, Erskine Bowles, John Engler

MODERATOR: *Peter Cook*

BLOOMBERG TELEVISION'S PETER COOK led an animated conversation among a diverse panel with expertise in the worlds of business, education, research, and government. All three panelists painted a picture of a country that remains in a perilous position but, with a few key policy decisions, is poised to return to fiscal stability and strong economic growth.

Erskine Bowles observed that when it comes to fiscal reform, we've already done what he called the "easy stuff" and the "stupid stuff"—but, unfortunately, we "continue to avoid doing the tough stuff." John Engler, weighing in from the business perspective, said "I think there's plenty of evidence that a long-term deal would produce great benefits for the American economy and for the families of America."

All agreed that the lack of a plan to address our unsustainable long-term debt will, eventually, have negative macroeconomic effects. Sheila Bair said that the United States currently benefits from a lack of alternatives in the global economy. But she warned that "this can't last forever ... the world is getting fed up with us. When you have your central bank start financing your government it always leads to hyperinflation. Eventually, those chickens will come home to roost." Bowles agreed, saying that sooner or later "the markets will wake up."

Looking to incremental progress in the absence of a

comprehensive fiscal "grand bargain," all three panelists endorsed tax reform, immigration, and infrastructure investment as areas that will create growth and improve our long-term standing.

On tax reform, Engler said our current policy "is simply wrongheaded" and, like many of the day's guests, advocated for a corporate tax reform that allows foreign earnings to return to the United States for investment here. Bair agreed that the distortions in the tax code "lead to harmful behaviors," particularly in our current low-interest rate environment as corporations issue debt to pay dividends and stock buybacks, which she characterized as "taking on more leverage to goose their share price." Bowles added that reforming the tax code is essential in order to become more globally competitive.

Responding to a question from the audience, Engler agreed that investment in infrastructure is a "win-win" when it comes to adding jobs and economic growth, while also providing sorely needed upgrades to a crumbling digital and physical national infrastructure.

Highlighting the need for bipartisan cooperation, Bowles quoted his partner in fiscal reform, saying, "And as my pal, Al Simpson, says, 'If you can't compromise without compromising your principles, you better never get in business, you better never be a legislator, and for God's sake, never get married.'"

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# Congressional Leaders: Long-Term Fiscal Planning in a Short-Term Political World *Session Two*

IN ORDER OF APPEARANCE:

House Democratic Leader  
Nancy Pelosi

Representative  
Peter Roskam

INTERVIEWER:  
*Nancy Cordes*

**HOUSE DEMOCRATIC LEADER** Nancy Pelosi led the afternoon session with elected officials, focusing squarely on economic growth as a necessary part of improving our nation's long-term fiscal outlook.

Leader Pelosi highlighted interest costs as a particularly harmful effect of growing long-term debt, which has “an opportunity cost for investments in education, scientific research, and [more].”

On the recent congressional debate about tax extenders, Pelosi strongly advocated that extending these tax policies should be “paid for” or offset with commensurate reductions in spending or increases in revenue.

Moreover, she laid out criteria for deciding which should be extended in the first place. Policymakers, she said, should ask about each tax break, “How does it grow the economy? How does it create jobs? Is it worth even doing?”

Pelosi pointed out that the total of all tax expenditures—that is, taxes that are not paid due to exclusions or loopholes in the tax code—is nearly as much as the total of all taxes that are paid in the country. She advocated for revenue-raising tax reform that would reduce both corporate and individual rates, while removing tax loopholes that aren't efficient or defensible.

Pelosi saw investments in education

Nancy Pelosi  
(D-CA) House Democratic  
Leader



**Peter Roskam**  
*(R-IL) Member,  
House Budget Committee*



and job skills as a critical factor in fostering economic growth and improving our overall fiscal picture: “Nothing brings more money [to the treasury] than investments in education. Early childhood, K-12, higher [education], post-grad, lifetime learning ... We need a skilled workforce.”

Reflecting on the failed fiscal negotiations from the past several years, Pelosi said Democrats were willing to compromise and keep at the bargaining table. She saw an advantage to continuing to try for a comprehensive deal, because “when you have a grand bargain, you can include a lot of things in it that might otherwise be unacceptable in a small bargain ... but if there’s a shared responsibility, you can really get a lot done.”

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**IN THE DAY’S FINAL CONVERSATION,** Peter Roskam gave the perspective of House Republicans, talking about the influx of new members through the elections in 2010 and 2012 and what those changing dynamics have meant for policy priorities. While many of these new members came from the private sector and were relatively new to politics, Roskam said, “In a nutshell, they’re becoming incredibly sophisticated members and really learning how to deal with the legislative process.”

While expressing caution about overspending, Roskam emphasized the importance of investing in the right way. He said that House Republicans “recognize infrastructure in particular is a unique federal and governmental program where the federal government needs to [play] a significant role.”

Using the underfunding of public pensions in his home state of Illinois as an example, Roskam stressed the

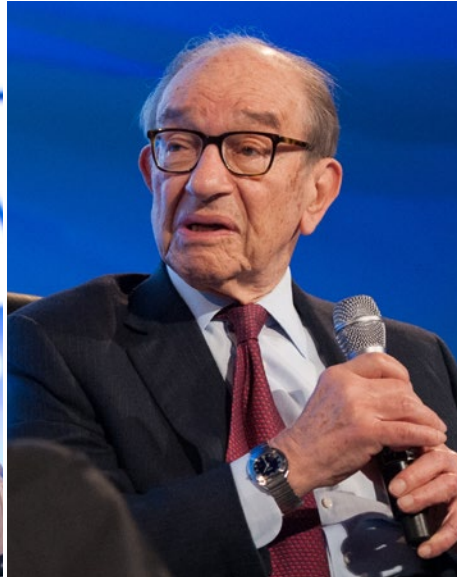
importance of addressing fiscal issues as an important step toward realizing “transformational” economic growth. However, he warned if, at the federal level, we continue to “avoid, avoid, avoid, we’re going [to] underperform and we’ll continue to see GDP [growth] struggling to stay above the margin.”

On major issues, including tax reform and immigration, Roskam suggested that an incremental approach may be the best way forward. He said that “comprehensive” has become a toxic word in American politics today, adding that his constituents’ eyes “glaze over at the idea [that] Capitol Hill is going to comprehensively fix something and make all these problems go away.” Alternatively, he argued that by focusing on smaller areas of common ground, progress can be made, even on difficult issues. On immigration reform, he said that the connection to the economy resonates deeply with Republicans and that “there’s a recognition that immigration reform can be a robust producer from an economic growth point of view.”

Responding to an audience question, Roskam said that if he could pick one fiscal reform issue to tackle in the next year, he would choose Social Security. Doing so would create a “virtuous cycle,” not only stabilizing and strengthening the program, but sending a message about Washington’s ability to solve its looming fiscal problems.







Peter G. Peterson  
Foundation

Our America. Our Future.

[www.pgpf.org](http://www.pgpf.org)

For more photos and full video from the 2014 Fiscal Summit, please visit [www.fiscalsummit.com](http://www.fiscalsummit.com).

*Photos by Ralph Alswang and Chris Williams*