



Summary and Highlights

May 15, 2012
Washington, D.C.



2012 Fiscal Summit: America's Case for Action

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, financial literacy, and the study of fiscal policies and potential solutions.

About the 2012 Fiscal Summit

On May 15th, the Peter G. Peterson Foundation brought together leaders from government, policy, academia, and the media for the 2012 Fiscal Summit: America's Case for Action. With a national election this fall, and critical fiscal deadlines approaching at the end of the year, policymakers have a prime opportunity to address our long-term fiscal challenges and set America on a fiscally sustainable path. Through speeches, interviews, and panel discussions, as well as videos featuring Americans from across the country, the Fiscal Summit explored the potential for progress and the importance of building bipartisan consensus to generate the political will for action.

Introduction

On May 15, 2012, the Peter G. Peterson Foundation held its third annual Fiscal Summit, titled “America’s Case for Action.” The Summit brought together leading elected officials, policymakers, journalists, and business leaders from across the ideological spectrum to discuss how to build the political will necessary to make progress on the nation’s long-term fiscal challenges. This year’s Summit continued the conversation from the previous two Summits, which helped to build awareness of these fiscal challenges and offered a variety of comprehensive solutions. The 2012 Fiscal Summit also highlighted the voices of engaged citizens across the country.

Participants brought a wide range of perspectives to the Summit’s interviews, panel discussions, and presentations, informed by their experiences developing policy, running cities or businesses, and studying the issues. Nearly all of the participants emphasized that a consensus exists on the nature of the long-term debt challenge, and that numerous solutions are available. They also articulated common views of how long-term fiscal policy affects Americans’ everyday lives and how stabilizing the debt could

build confidence in the American economy and bolster the tenuous recovery.

Most important, participants discussed the views of the American people and offered their insights into how a long-term, bipartisan plan might be achieved. Their views were especially salient because so many of them will be leading players in addressing this issue. The remainder of 2012 and 2013 will bring a great deal of activity, with the upcoming elections, a series of major fiscal deadlines approaching—including the expiration of current tax rates, and the implementation of \$1.2 trillion in sequester spending cuts—and the federal government approaching its debt limit. These events represent an important opportunity for progress, and, as the testimonies from across the country demonstrated, Americans are clearly paying attention.

While there are still many questions about the precise way in which the nation will take action to address its fiscal challenges, the 2012 Fiscal Summit demonstrated that the case for action is clear.

2012 Fiscal Summit: Program

Opening Remarks: An Opportunity for Action

Pete Peterson, Chairman, Peter G. Peterson Foundation

Facing the Fiscal Future: A Conversation with Treasury Secretary Timothy Geithner

Tim Geithner, Secretary of the Treasury

INTERVIEWER: *David Wessel*, Economics Editor and “Capital” Columnist, *The Wall Street Journal*

A Better Economy and a Brighter Future: America’s Case for Action

Michael A. Peterson, President, Peter G. Peterson Foundation

Bridging Divides and Building Consensus: A Conversation with President Bill Clinton

President Bill Clinton, Founder of the William J. Clinton Foundation and 42nd President of the United States

INTERVIEWER: *Tom Brokaw*, Special Correspondent, *NBC Nightly News*

Finding the Political Will to Act

Senator Rob Portman, (R-OH) Former member, Joint Select Committee on Deficit Reduction

Representative Xavier Becerra, (D-CA) Vice Chair, House Democratic Caucus

Kathleen Hall Jamieson, Ph.D., Director, Annenberg Public Policy Center; and Elizabeth Ware Packard Professor of Communication at the Annenberg School for Communication, University of Pennsylvania

Patricia Murphy, Political Correspondent, *The Daily Beast/Newsweek*

MODERATOR: *John F. Harris*, Editor-in-Chief and Co-Founder, *POLITICO*

Inside the House Budget Committee: Remarks and Conversations with Paul Ryan and Chris Van Hollen

Representative Paul Ryan, (R-WI) Chairman, House Budget Committee

Representative Chris Van Hollen, (D-MD) Ranking member, House Budget Committee

INTERVIEWER: *Judy Woodruff*, Co-Anchor, *PBS NewsHour*

The Everyday Impact of Rising Debt and the Benefits of Fiscal Reform

Senator Alan K. Simpson, Co-Chair, National Commission on Fiscal Responsibility and Reform

Jay S. Fishman, Chairman and Chief Executive Officer, The Travelers Companies, Inc.

Mayor Michael A. Nutter, City of Philadelphia

MODERATOR: *George Stephanopoulos*, Anchor, *Good Morning America* and *This Week with George Stephanopoulos*

Facing the Fiscal Future: Remarks and Conversation with Speaker John Boehner

Speaker John Boehner, (R-OH) Speaker of the United States House of Representatives

INTERVIEWER: *Erin Burnett*, Anchor, *Erin Burnett OutFront*, and Chief Business and Economics Correspondent, CNN

Remarks by Pete Peterson: An Opportunity for Action

Pete Peterson



FOUNDATION CHAIRMAN Pete Peterson opened the 2012 Fiscal Summit with a discussion of how much progress has been made in expanding awareness of our nation's long-term fiscal challenges and developing potential solutions. The challenge now, Mr. Peterson said, is to find the political will to implement solutions.

Mr. Peterson spoke about the critical link between the health of the political process and the nation's fiscal outlook. "We don't have simply a fiscal and economic crisis," he said. "We have a political crisis, a polarized and paralyzed politics that makes progress historically difficult."

The American public is actually ahead of its political leaders when it comes to seeking compromise and being willing to sacrifice to achieve it, Mr. Peterson said. He cited findings of a recent survey conducted at the Foundation's request by Global Strategy Group that highlight this desire for action and shared sacrifice. In the survey, 94 percent of Democrats and 85 percent of Republicans said they want to see both parties work together to solve our long-term economic problems. And 91 percent of respondents say they're willing to do their part to reduce the national debt if others will do their part as well.

Mr. Peterson identified two types of crisis that could develop if the United States fails to get its fiscal house in order. The first is "a sudden European-style crisis where the markets lose confidence in our ability to manage our fiscal affairs." In such a crisis, interest costs could balloon quickly and exchange rates plummet.

The second type of crisis is "a slow-growth crisis," in which interest costs become so large that they crowd out growth-oriented investments in math and science, research and development, and infrastructure. Without these critical investments, the United States will lose its competitive edge in an increasingly knowledge-based and technological global economy.

With elections on the horizon and a number of fiscal-policy deadlines arriving around the turn of the year, Mr. Peterson said political leaders have an opportunity to put in place a long-term, comprehensive plan to deal with our fiscal challenges.

Mr. Peterson rejected the notion that policymakers have to choose between focusing on short-term growth and preparing for the long-term. "I believe we can and must do both," he said. "Any measures to boost growth in the short term could be accompanied by a longer-term fiscal plan that is not implemented until the economy recovers." A long-term debt-reduction deal that boosted market confidence would also stimulate the economy in the short term.

"What would not work," Mr. Peterson said, "is another example of fiscal *mañana*, in which you're always putting off until tomorrow the long-term fiscal decisions that we should be making today."

Mr. Peterson called on both parties to look beyond their rigid orthodoxies—particularly on taxes and entitlement spending—and reach across the aisle to strike a deal. He insisted, however, that fiscal policy changes "must be made in ways that secure benefits for the most vulnerable, so that no one fears the social safety net is threadbare."

Concluding his remarks, Mr. Peterson summed up the current state of the debate: "We know what the problems are. We know how to fix them. What we need is the will to act."

The suggestion that lawmakers must choose between short-term economic growth and long-term fiscal sustainability is false. They can and must do both.

Facing the Fiscal Future: A Conversation with Treasury Secretary Tim Geithner

INTERVIEWER: *David Wessel*

THE FIRST CONVERSATION of the day featured the *Wall Street Journal's* David Wessel interviewing Treasury Secretary Tim Geithner.

Wessel began by asking whether our “polarized political system” is capable of dealing with the long-term fiscal challenge. Geithner acknowledged that finding agreement on the long term will be “a huge test of the ability of this political system to come together and make some sensible, tough decisions about the economy.” He emphasized the need to strike a balance between addressing long-term fiscal issues and continuing to promote growth in today’s economy, including getting people back to work and making investments in human capital and competitiveness.

The Secretary also said that “balance” is key in how we approach long-term fiscal sustainability—namely, that a balanced plan should include both spending reductions and revenue increases.

Wessel asked how, given Republican opposition to tax increases, a balanced plan like the one Geithner described could be politically feasible. Geithner responded that “reality forces it,” noting that the Bowles-Simpson and Domenici-Rivlin deficit reduction plans as well as the Senate Gang of Six plan all recognized the need for additional revenue.

Asked why President Obama didn’t embrace the Bowles-Simpson recommendations when they came out, Secretary Geithner responded that a final agreement between the two parties will very likely end on terms similar to Bowles-Simpson, “in terms of the broad balance of the package.” The President would want to modify the defense cuts and Social Security changes proposed by Bowles-Simpson, but, according to Geithner, the President’s framework for deficit reduction is much closer to the Bowles-Simpson plan than are the Republican plans that have been introduced.

Looking at the global picture, Secretary Geithner said the U.S. is in a much better position to deal with these challenges than are other countries, particularly in Europe. The Secretary did note that Europe has a stronger set of tools in place for dealing with its crisis and that European leaders are now able to shift their emphasis to creating the conditions for more growth.

In the United States, our combination of relatively low debt levels before the financial crisis, low levels of taxation, and relatively modest safety net commit-



ments gives us “the unique ability...not to put ourselves in a situation where we commit to an irresponsibly steep path of austerity because of fear of what’s a long-term but manageable problem, and sacrifice the other major needs and challenges of our economy. We don’t need to do that.”

“But,” Geithner added, “we can’t put this off forever. We’re close enough now for this to matter a lot. We can’t run the country on the assumption that the world is going to always have confidence in the ability of the American political system to act. We have to earn that confidence over time.”

The Secretary said the impending fiscal policy deadlines at the end of the year “should be a very powerful incentive” for people in both parties to reach an agreement. Asked about the possibility of reaching the debt limit, and whether we might see a repeat of the protracted negotiations of the summer of 2011, Geithner said that existing tools at Treasury’s disposal would likely give policymakers until early 2013 to act on the debt limit. He stressed that “protect[ing] the creditworthiness of the country is a fundamental commitment you can never call into question or violate because it’s the foundation for any market economy.”

Ultimately, Geithner concluded, the test of any deficit-reduction plan is how it balances the multiple priorities of fiscal policy. “You have to ask yourself, do the plans provide a plausible strategy for growth, for expanding opportunity, for investing in human capital and education? Not just, do they restore fiscal sustainability?”

Policymakers
should address
long-term
fiscal challenges
in a way that
maintains
investments that
are critical to
economic growth.



Michael A. Peterson

Remarks by Michael A. Peterson A Better Economy and a Brighter Future: America's Case for Action

IN HIS REMARKS, Michael A. Peterson, President and Chief Operating Officer of the Peterson Foundation, highlighted several of the key themes that would emerge throughout the day, including the importance of getting the American people involved in deficit solutions and building political support for bipartisan solutions.

"Reform of this scale can't happen without the engagement of Americans," Mr. Peterson said. "Everyone needs to be a part of this process so that, together, we can decide how best to build a future for our children and grandchildren." And, ultimately, support from Americans is necessary to ensure that political consensus endures. As Mr. Peterson put it, "Even when the politicians finally agree on how to stabilize the debt, if the American people aren't on the same page, it won't last."

To get Americans more involved, it will be necessary to establish the connection between the fiscal issue and people's other economic concerns. For instance, Mr. Peterson said, "It's essential that everyone understands the direct connection between debt and jobs. In many ways, the fiscal issue is the jobs issue.... Put simply, the more we borrow to fund deficits, the less we will have to invest in the future. And the less we invest, the slower we grow and the fewer jobs we create."

Interest rates are another key link between fiscal issues and Americans' personal financial condition, Peterson explained. "All debt instruments are priced in relation to U.S. Treasuries. So if our skyrocketing debt causes the world to lose confidence in the United States, the cost of everything will go up—mortgage rates, car payments, business loans."

Mr. Peterson said both parties need to move toward compromise: "If leaders of both sides don't give an inch, one day our creditors will take a mile. We need our leaders to put their preferences aside and commit to the principle of getting something done before it's too late."

To build support among the public, it's necessary to establish the connection between fiscal issues and broader economic concerns.



Bridging Divides and Building Consensus: A Conversation with President Bill Clinton

INTERVIEWER: *Tom Brokaw*

ONE OF THE DAY'S KEYNOTE conversations featured *NBC's* Tom Brokaw interviewing President Bill Clinton. Mr. Brokaw opened by asking President Clinton if the economy is still too fragile to begin implementing a deficit-reduction plan. The President responded that "we should pass a very tough deficit-reduction plan now" and trigger it to go into effect when the economy has grown over several consecutive quarters.

Putting a plan in place now, President Clinton said, would help to alleviate some of the concern widely felt among the American public—the "gnawing sense" that future generations will have a harder time in life. Reaching agreement would reassure people that "we're a serious country," capable of solving these challenges.

The President said there is little chance of seeing action on a long-term plan between now and the election, but he'd like to see both sides talk more about their deficit reduction plans throughout the campaign, including during the presidential debates.

President Clinton called on Americans to take greater ownership of fiscal issues as well. Most elected officials do in office what they said they would do while campaigning, he



Congress and the President should enact a deficit-reduction plan and trigger it to go into effect when the economy reaches sustained growth over several quarters.

said. But “we listen to the rhetoric of politicians and we pay almost no attention to their specifics.”

Ultimately, the President said, to reach an agreement, Republicans will have to be more flexible on taxes and Democrats will have to be more willing to reform health care entitlements and Social Security “to free up some investment in the future.” He also voiced support for corporate tax reform and increased investments in infrastructure through public-private partnerships.

Speaking about the Bowles-Simpson framework, President Clinton said one of the things he loves about the plan is that it would make the Social Security system more progressive. “It actually is better for lower-income seniors than the current system.”

On Medicare reform, President Clinton noted that private health costs have risen faster than Medicare and Medicaid costs over the past decade, so he believes that reforming Medicare with a fixed voucher system is the wrong approach. Without containing costs in the broader health system, it would shift costs from government to seniors. The President favored instead higher co-pays for seniors with higher incomes.

President Clinton also highlighted the health savings possible by changing the payment system to pay for performance rather than procedure (as with the Ac-

countable Care Organizations included in the Affordable Care Act); eliminating administrative waste; and incentivizing lifestyle changes (for instance, by using school lunch programs to improve childhood nutrition).

In other areas of the budget, the President highlighted possible defense savings by moving away from a Cold War force structure and toward more mobile forces, like the Navy SEALs and other special operators. On the tax front, President Clinton said that if economic growth returns and wages start rising again, he doesn’t think people would object to paying taxes at the rates that prevailed during his administration. And he argued that the United States should not allow discretionary spending to fall to historic lows at a time when U.S. preeminence in areas like education and technology is slipping. Cutting investments in technology, education, and training “will hurt us significantly in the long run.”

President Clinton concluded by highlighting the importance of “honorable compromise.” Discussing his experiences around the world, he said, “The places that work best are where all the stakeholders get together, openly acknowledge their different interests as well as their different ideas, and then talk to each other like...they’re intelligent beings.” The problem is that “our politics favors conflict, and the only thing that is working anywhere in the world are creative networks of cooperation.”

Both sides should discuss their fiscal plans more throughout the election, and the American people should pay attention to the specifics.



Sen. Rob Portman



Rep. Xavier Becerra



Kathleen Hall Jamieson



Patricia Murphy

Finding the Political Will to Act

MODERATOR: *John F. Harris*

THE FISCAL SUMMIT'S morning panel discussion focused on how to build the political will to move forward on deficit-reduction solutions.

Moderator John Harris, editor-in-chief of *POLITICO*, kicked off the discussion by asking how difficult it is to agree to the substance of solutions, leaving aside the politics.

Senator Rob Portman (R-OH) answered that it is harder to agree to solutions this year than in the 1980s and 1990s because the fiscal hole is deeper than it was in past decades and because the economy is still struggling to regain traction after the fi-

financial crisis and recession. Portman emphasized that fiscal retrenchment will have to be done "very carefully to avoid having a devastating impact on our economy."

Representative Xavier Becerra (D-CA) said that solving the budget problem comes down to "simple math," noting that templates like Bowles-Simpson and Domenici-Rivlin point to a basic formula: spending restraint, increased taxes, and a calibration of policies to produce economic growth.

Becerra also said it would be easier to make progress if more people on Capitol Hill understood the real-world impact of spending programs that are under the gun. He said he'd be willing to deal with important spending programs, but not if all of the cuts are directed toward discretionary spending that is important to children and families.

Dr. Kathleen Hall Jamieson, director of the Annenberg Public Policy Center, said that the country needs political leaders to align campaigns to governing. If politicians campaign in a way that they can realistically govern, they'll have credibility to tackle tough issues when they're elected. She also noted that the media have a role to play in keeping campaigns focused on issues and educating the public about deficit reduction.

Patricia Murphy of *The Daily Beast/Newsweek* suggested that the consensus that exists is really among the American people, not members of Congress. She said people "understand that something has to change. They understand there's something deeply out of balance.... They understand that members of Congress are not making sacrifices with their own constituencies in order to get across the finish line."

John Harris asked whether a grand bargain might be possible after the election. Murphy was optimistic: "There will be a bargain because each side has so much to lose—and they have a lot to gain just by being able to come out of the room with the deal."

Senator Portman spoke about the need to move the tax debate beyond the Bush tax cuts and make it about broader tax reform that would result in a better economic climate. Representative Becerra agreed that reforming the individual and corporate tax codes would spur growth, but he stressed that "you can't talk about reforming the tax code simply to reform the code, without dealing with these looming deficits."

In addition to tax reform, Senator Portman emphasized the importance of entitlement reform. He agreed with Representative Becerra that health and retirement programs are "incredibly important" and "need to be strong." But the safety net is frayed, he said, and "Republicans and Democrats alike have been unwilling to touch that third rail."

The Senator indicated that the deficit-reduction Supercommittee, which last year failed to come up with a plan to avert the spending sequesters set to take effect at the start of 2013, actually came closer to agreement than many have reported. According to Portman, some Republicans were willing to accept "static" revenue increases (i.e., revenue increases that do not depend on faster economic growth).

The session closed with a discussion of the erosion of the political center in American politics. Patricia Murphy stated, "There is no reward for moderation right now in American politics."

According to Senator Portman, "It's not so much about your ideology as it is about your willingness to find resolve." He added, "We've got to link these fiscal problems to economic opportunity. That will enable us to get a lot more support from Republicans and Democrats."

Congressman Becerra emphasized this linkage, concluding: "Jobs is the issue. Debt's also important to folks, but jobs are the issue. I think they are inextricably connected."

Jobs and economic growth will be essential to improving the long-term outlook for the U.S. economy and for the federal budget.

Inside the House Budget Committee: Remarks and Conversations with Paul Ryan and Chris Van Hollen

INTERVIEWER: *Judy Woodruff*



If the U.S. does not begin to address its fiscal challenges now, we risk European-style austerity in the future.

HOUSE BUDGET COMMITTEE Chairman Paul Ryan (R-WI) began his prepared remarks by talking about the budget recently passed by House Republicans, whose goal, he said, is to prevent a debt crisis fueled by entitlement spending, which he called “the primary driver of debt.”

Ryan identified the potential debt crisis as a creation of both parties, who made promises on health and retirement security in the 20th century that are in danger of going unfulfilled in the 21st. “We can still have a system where those who organized their lives around these promises can still get those promises fulfilled,” Ryan said. “But those of us who are younger will have to change these programs. And we can do it in a way that protects the poor, the sick, and asks more of the wealthy.”

The risk of not addressing these fiscal challenges now is European-style austerity in the future. “We don’t want to have a situation on our hands where the credit markets have turned on us and then we’re doing crisis management; then we’re doing cutting across the board, cutting retirees after they’ve already retired, organized their lives around these programs, cranking up taxes, slowing down the economy, raising the youth unemployment rate. That’s what austerity is.”

Ryan noted that he served on the Bowles-Simpson commission and said that many of the commission’s proposals were incorporated into the Republican budget. That budget also added the element of Medicare and Medicaid reform, which he felt was lacking in Bowles-Simpson.

Remarking on the politics of budget reform, Ryan lamented the “wave of demagoguery” that has washed over the debate. “It’s an attempt...to sort of impugn the motives of the authors of the solutions so that you don’t have to actually debate the merits of those solutions.”

Following Ryan’s remarks, *PBS*’s Judy Woodruff asked the Chairman what progress we can expect from a lame duck congressional session after the November elections. “I don’t think you’ll see a permanent resolution to our problems in a lame duck session,” Ryan responded. But he said the debate over how to solve this problem will play out in the election, and whoever wins “will have the obligation

and the mandate from the country to implement that solution.”

Ryan closed on an optimistic note about the future of bipartisan action: “There are Democrats and Republicans who largely agree with each other on how best to tackle these challenges... [R]eformers of good will can compromise on these things. Many of us have already. We want to realize that vision.”

REPRESENTATIVE CHRIS VAN HOLLEN (D-MD), ranking member of the House Budget Committee, opened his remarks by stating: “We must act now to put in place a plan to reduce our long-term deficits and rising debt. The question is not whether we need to have such a plan; the question is how that plan works.”

He went on to outline the Democratic position, including a desire to “reduce our deficit in a steady, credible, and balanced way” and to avoid hurting “our very fragile economic recovery.”

Van Hollen warned against cutting too quickly and in the wrong areas, noting, for instance, that “we have huge, unmet infrastructure needs in this country.” He endorsed the “balanced framework” put together by Bowles-Simpson and, in particular, “their baseline and their ratio of cuts to revenue.” He also noted that the \$1-2 trillion in deficit reduction agreed to through last year’s Budget Control Act would come about entirely through spending cuts.

Congressman Van Hollen asserted that Republican resistance to higher revenues stymies further progress. “If you refuse from the outset to ask the wealthiest Americans to contribute more for deficit reduction, then your budget has to hit everyone and everything else harder. That’s just simple math.”

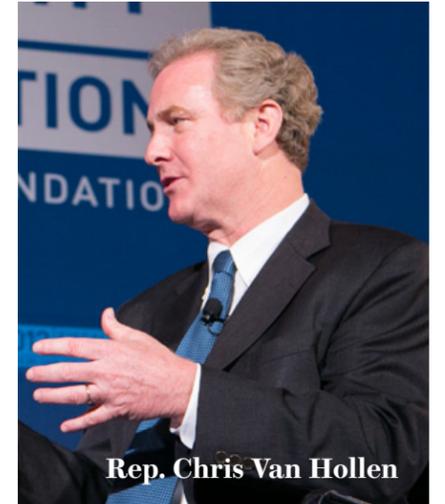
Van Hollen said the Democratic plan for reforming health entitlements and reducing health spending is rooted in payment reforms to reward value of care over volume of care and quality over quantity. He recommended accelerating measures, such as support for Accountable Care Organizations, that are included in the Affordable Care Act.

At the end of his formal remarks, Van Hollen said, “I do not believe that this election is going to render a huge verdict on the way forward. It may provide some guidance tilting one way or another. But the reality is, at the end of the day, people are going to have to make those tough decisions.”

Judy Woodruff asked Representative Van Hollen about the prospects for an agreement during the lame duck session. He said that, given his experience on the Supercommittee, it’s hard to see how differences could be fully resolved in a lame duck session, but that there could be “interim agreements...structured so that we move forward on the big issues.”

Van Hollen rejected the notion of letting all of the Bush tax cuts simply expire at the end of the year because of the drag on the economy and the potential harm to middle-class voters. However, given the potential for \$5 trillion in additional taxes over the next 10 years with the expiration of the Bush tax cuts, Van Hollen hopes that Republicans exhibit “a willingness to come to the table” and consider “something in the range of \$2 trillion” of additional revenue.

Finally, Van Hollen agreed with Ryan that deficit-reduction plans will play a key role in the upcoming elections. “I just hope that when those campaigns are over,” he added, “we’re able to put together the pieces in a productive way because we have to deal with this as a country.”



Deficits should be reduced in a steady, credible, and balanced way, including both revenue increases and spending cuts.

The Everyday Impact of Rising Debt and the Benefits of Fiscal Reform

MODERATOR: *George Stephanopoulos*

THE FISCAL SUMMIT'S afternoon panel discussion focused on how to draw the connection between fiscal issues and the broader economic concerns Americans face, so that the American people can support fiscal action.

Moderator George Stephanopoulos, of ABC News, kicked off the discussion by asking former Senator Alan Simpson—co-chair of the National Commission on Fiscal Responsibility and Reform—what he hears when he discusses the nation's fiscal challenges with audiences around the country. Simpson said that “people are thirsting” for a straight forward explanation of the problem and the potential solutions, without what he termed “b.s. or mush.”

Looking at the consequences of not taking action, Simpson said, “When the tipping point comes, it won't come from Democrats or Republicans or anybody you know. It'll come from people who loan us money.... At that point, inflation will kick in and interest rates will kick in and the guy that gets hurt the most is the little guy.”

Stephanopoulos asked Jay Fishman, chairman and CEO of The Travelers Companies Inc., how much time bond markets will give the U.S. before they demand action to rein in debt. “I suspect less than most people think,” Fishman responded. He noted that the U.S. government has been a principal beneficiary of low interest rates. Overall U.S. interest costs today, with outstanding public debt of around \$10 trillion, are about the same as they were when public debt outstanding was \$5 trillion. If interest rates return to the levels that prevailed then, interest costs will grow rapidly.

Asked if his company would be willing to support a solution like Bowles-Simpson that included tax increases,

Fishman replied, “We're in.” He added that there are many solutions to the problem, but “the only one that doesn't work is the one we're doing now, which is nothing.”

Philadelphia Mayor Michael Nutter was asked if voters are willing to “buy” the notion of shared sacrifice to solve fiscal problems. Nutter said the people of his city did agree to a program of shared sacrifice. He described how Philadelphia faced a quickly deteriorating fiscal outlook shortly after he became mayor, largely because of the economic downturn. The city closed a \$2.5 billion budget gap projected over five years through a roughly equal mix of tax increases and spending reductions.

Nutter said that trimming his own salary and the salaries of top city officials helped to convince constituents that everyone was doing their part to solve the problem. He reduced spending on police and firefighters without laying off any. But he said voters would not stand for “massive cuts” in public safety or programs affecting children, seniors, and other vulnerable populations.

One of the differences between local and national politics, Mayor Nutter observed, is that local leaders are very close to constituents and get instant feedback all the time. On the other hand, he said, “many members of Congress are very much out of touch with what's really going on back home and live in a very closed circle environment here [in Washington].”

Mr. Stephanopoulos asked Senator Simpson how to build a bipartisan coalition similar to the ones put together for budget deals in the 1980s and 1990s. “You do it with trust,” Simpson replied. “Trust is the coin of the realm in the legislative body...and there is no trust now.”

Americans will make sacrifices to reduce deficits and debt if they are convinced the sacrifices are broadly and fairly shared.

If we don't act to resolve our long-term fiscal imbalances, markets will force action. The U.S. may have less time than we think before market sentiment turns against us.



(From left to right)
George Stephanopoulos,
Sen. Alan K. Simpson,
Mayor Michael A. Nutter,
and Jay S. Fishman

Facing the Fiscal Future: Remarks and Conversation with Speaker John Boehner

INTERVIEWER: *Erin Burnett*

Reforming entitlements will not have an immediate impact on the budget, but relatively small changes now can yield large dividends down the line.

THE FINAL SESSION of the 2012 Fiscal Summit featured House Speaker John Boehner (R-OH), who delivered remarks and then was interviewed by CNN's Erin Burnett.

Boehner opened his remarks by cataloguing some of the country's recent economic and budget difficulties and saying that Americans are growing impatient: "Americans who take pride in living on a budget recognize that we can't go on spending money that we don't have, and that our economy is stuck in large part because it is stuck with debt."

Given the plethora of deficit-reduction options on the table and the discussions that have taken place, Boehner said, "It's about time we roll up our sleeves and get to work."

The Speaker discussed the fiscal deadlines approaching at the end of the year, including the impending sequesters, which he described as "indiscriminate spending cuts of \$1.2 trillion."

The nation will also be reaching the debt limit around the turn of the year, and the Speaker made clear that "allowing America to default on its debt would be irresponsible." But, he added, "it would be more irresponsible to raise the debt ceiling without taking dramatic steps to reduce spending and reform the budget process."

He laid out a clear marker for how he would approach negotiations on raising the debt limit, echoing a call he made before last year's negotiations: "We should not raise the debt ceiling without real spending cuts and reforms that exceed the amount of the debt limit increase."

The Speaker said that before November's election, Republicans would vote to extend the existing tax rates and set a timetable for agreeing on broad-based tax reform: "If we do this right, we'll never have to deal with the uncertainty of expiring tax rates again. We'll have replaced the broken status quo with a tax code that maintains progressivity, taxes income once, and creates a fair, simpler code."

On entitlements, Speaker Boehner acknowledged that structural changes to Medicare and Social Security would produce little or no savings in the immediate 10 year budget window because changes will be phased in to give people time to plan and adjust. However, "making relatively small changes now can lead to huge dividends down the road in terms of debt reduction."



It's imperative that Washington act soon, the Speaker concluded, because "the markets aren't going to wait forever. Eventually, they're going to start reacting. And [if we] ignore these warnings, we will do so at our own peril."

Erin Burnett asked, given the use of terms like "fiscal cliff" and "Taxmageddon," how bad the situation is right now. The Speaker pointed to Europe, "where they've waited too long and, as a result, the markets are going to dictate what happens there. And their ability to solve their own problems has all but diminished."

Asked whether some could pay higher taxes if tax deductions were eliminated or reduced through tax reform, Boehner responded, "We're going to bring everybody's rates down. And when you bring everybody's rates down, and you clean out the underbrush, some Americans may be paying more, and some may pay less."

Reflecting on his relationship with the President and what it means for progress on fiscal issues, the Speaker said, "My greatest disappointment over the year and a half that I've been Speaker is that the President and I couldn't come to an agreement to take a big chunk out of our long-term debt. Our economy would be better today if we were able to have done that. Our fiscal situation would be better. And, frankly, it would have set an example for the rest of the world. This is important to do."

The debt ceiling should not be raised again without "real spending cuts and reforms" that exceed the amount of the debt ceiling increase.

Conclusion

The 2012 Fiscal Summit focused on forging the political will necessary to achieve major fiscal reform, reflecting the evolution of the national conversation from awareness building and policy development, toward implementing solutions. Participants were able to candidly discuss the obstacles and opportunities for progress and the economic and political benefits of stabilizing the debt. They also heard the voices of Americans outside Washington who are willing to step up to address our fiscal challenges and want their leaders to do the same.

We hope that over the next year, policymakers will heed these voices and come together to put our country on a more sustainable fiscal path that prevents a crisis and builds a foundation for broadly shared prosperity and long-term economic growth.

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