Summary and Highlights

May 7, 2013 | Washington, D.C.

2013 Fiscal Summit: Facing the 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, financial literacy, and the study of fiscal policies and potential solutions.

Introduction

On May 7, 2013, the Peter G. Peterson Foundation held its fourth annual Fiscal Summit, titled "Facing the Future." The purpose of the conference was to explore the future of America and how today's policy decisions will have a profound impact on determining the future role of the United States in the world.

America and many countries around the world are changing rapidly. Global competitiveness is increasing as nations improve their economic production and grow more prosperous. Science and technology offer tremendous opportunities for innovation, and those countries that lead technologically will also lead economically. At the same time, America faces a range of evolving challenges at home, including issues such as demographics, immigration, education and national security.

How these challenges are confronted will determine America's future. The ability of the U.S. to take advantage of new opportunities, build a prosperous future economy and maintain its global leadership role will be determined in large part by the decisions our leaders make—or fail to make—today. Will we have the resources to make critical investments in the public and private sector, or will rising debt and interest costs lead us to spend more on the past than on the future? How will Americans of tomorrow judge our response to the challenges and opportunities that are so visible today?

The 2013 Fiscal Summit gathered some of the country's most important thinkers to discuss these trends and the critical fiscal policy decisions that will shape America's economy and society for decades to come. Despite a challenging political environment, the opportunity remains for the U.S. to solve its long-term debt problem and position the nation for future economic success and a continued leadership in the world. While there are still differences of opinion about how to address debt and deficits, the 2013 Fiscal Summit demonstrated that resolving our long-term fiscal challenges is essential to building a foundation for prosperity, growth, and competitiveness in the future.

2013 Fiscal Summit: Program

Peter G. Peterson Foundation
Our America. Our Future.

A Choice Between Two Futures

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

Welcome and Opening Remarks

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

A Vision of the Future and the Importance of Now

Juan Enriquez, Co-Founder, Synthetic Genomics Inc. and Managing Director, Excel Venture Management

Shaping America's Future: Major Trends, New Ideas, and Big Decisions

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

Bill Gates, Co-Chair and Trustee, The Bill & Melinda Gates Foundation

MODERATOR: ***Tamron Hall,*** Anchor, *Newsnation,* MSNBC

Expanding Opportunity and Promoting Growth: The Future of American Fiscal Policy

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

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

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

Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy

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

INTERVIEWER: ***Chuck Todd,*** NBC News Chief White House Correspondent; NBC News Political Director; Host, *The Daily Rundown*, MSNBC; Contributing Editor, *Meet the Press*, NBC News

The New Demographics: The Future of Work and Retirement in America

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

Representative Peter Roskam (R-IL), House Majority Chief Deputy Whip

David Brooks, Op-Ed Columnist, *The New York Times*

Janet Murguía, President and Chief Executive Officer, The National Council of La Raza

MODERATOR: ***Peter Cook,*** Chief Washington Correspondent and Host of *Capitol Gains*, Bloomberg Television

Improving Outcomes and Containing Costs: The Future of American Healthcare

Harvey Fineberg, MD, PhD President, Institute of Medicine

Susan Dentzer, Senior Policy Adviser, The Robert Wood Johnson Foundation

Mark McClellan, MD, PhD Director, Engelberg Center For Health Care Reform; Leonard D. Schaeffer Chair in Health Policy Studies, The Brookings Institution

MODERATOR: ***Julie Rovner,*** Health Policy Correspondent, NPR

Succeeding in a Competitive World: The Future of Education, Innovation, and Security

Admiral Michael Mullen USN (Ret.), 17th Chairman of the Joint Chiefs of Staff

Governor Martin O'Malley, 61st Governor of the State of Maryland

Carly Fiorina, Chairman, Good360

MODERATOR: ***Andrea Mitchell,*** Chief Foreign Affairs Correspondent, NBC News; Host, *Andrea Mitchell Reports*, MSNBC

Peter G. Peterson

A Choice Between Two Futures
Pete Peterson

FOUNDATION CHAIRMAN Pete Peterson delivered remarks emphasizing why meeting the challenges of the future requires the United States to tackle its long-term debt problem, which he said poses "a primary, indeed, a transcendent threat to our country's future."

We haven't yet tackled the long-term debt for two key reasons, Peterson explained. One reason is that solutions call for "shared sacrifice"—and "sacrifice," said Peterson, "is a word that makes many politicians' blood run cold."

Another reason for inaction, said Mr. Peterson, "is the fiscal version of 'we can't walk and chew gum at the same time,'" which assumes that the United States shouldn't tackle its long-term fiscal challenges amid weak economic conditions. Mr. Peterson called this a "false choice." "We can deal with both the short-term and long-term challenge at the same time. If we were to develop a comprehensive long-term plan that stabilized the debt at sustainable levels and that would go into effect only when the economy recovers, the added confidence at the business, market, and consumer levels would be a real stimulus to our short-term economy."

Advocates of reducing debt and deficits need to be more persuasive in explaining what needs to be done and why it is essential, said Peterson. One way to do that, he said, is to draw a clearer contrast between an America that confronts its long-term debt challenges and an America that doesn't.

In the former scenario, "we have the resources to invest, innovate, and grow the economy." The latter scenario, said Mr. Peterson, would result in "a less prosperous America" that's vulnerable to two kinds of crises. One would be triggered by a loss of market confidence stemming from the kind of short-term failures seen recently, such as sequestration and the failure of the so-called congressional "supercommittee" to reach a budget agreement. The second kind of crisis would stem from a slowdown in the long-term growth rate, caused by federal borrowing and interest costs crowding out productive investment.

According to Mr. Peterson, the key is for the American people to be told not just what they must give up by reducing long-term debt to sustainable levels but also what benefits will come from such sacrifice. "We would gain a rapidly growing America, a secure and competitive America that is also a great innovator, and a compassionate America with a secure safety net for the vulnerable."

> To meet the challenges of the future and remain a global leader in innovation, we must tackle our long-term debt problem.

Welcome and Opening Remarks
Michael Peterson

> While some short-term progress has been made, recent reforms have failed to address the fundamental drivers of our long-term fiscal challenges.

FOUNDATION PRESIDENT AND CHIEF OPERATING OFFICER Michael Peterson opened the 2013 Fiscal Summit by highlighting America's unsustainable fiscal path and its impact on the future. "The federal budget is about three and a half trillion dollars. In ten years, interest alone will be about one trillion dollars. Eventually the projected interest costs exceed all revenue."

Calling this scenario "unthinkable," Mr. Peterson noted that while there has been some progress in recent years, "the reforms had barely any impact on the long-term future." The Congressional Budget Office still projects that the United States will eventually have a debt-to-GDP ratio of 200 percent, just five years later than previously projected. Referring to squabbles between the House, the Senate, and the White House in recent years, he said, "With all that fighting, all we did was postpone the problem."

Mr. Peterson identified America's primary fiscal shortcomings as a failure to address the fundamental drivers of the country's long-term debt, such as a growing elderly population and a healthcare system "that costs way more than it should." Healthcare spending, he said, is "the most daunting fiscal problem for federal and state governments" and a burden for every business and individual in the United States. "Healthcare is America's greatest economic challenge because it threatens everything from jobs to education to even national security." Another culprit, said Mr. Peterson, is America's "antiquated tax system that fails to generate enough revenue to pay for what we promise."

Mr. Peterson acknowledged that some people suggest the country should wait to address long-term fiscal challenges until the economy is stronger, and he rejected the notion that long-term solutions require short-term budget austerity. It will take a long time to make the needed reforms to retirement programs and the healthcare system in a fair and compassionate way, which is "precisely why we need to get started," said Mr. Peterson. The long-term nature of these challenges"is not an excuse to wait. It's a reason to act," because delay will only make these problems harder to solve.

Summoning the spirit of American ingenuity and innovation, Peterson closed by observing, "It just doesn't make any sense that the most forward-looking nation on

Michael Peterson

Juan Enriquez

A Vision of the Future and the Importance of Now
Juan Enriquez

In a unique and wide-ranging introductory presentation, Juan Enriquez, co-founder of Synthetic Genomics and managing director of Excel Venture Management, talked about the nexus between overcoming America's fiscal challenges and the ability to invest in the technological and scientific advances that will drive future progress.

Enriquez emphasized the importance of spending in areas that will be a catalyst for economic growth, such as education, research and development (R&D), and infrastructure. While staying focused on near-term priorities, policymakers must ensure they don't lose sight of long-term opportunities. The risk of not solving debt challenges, he said, is that "you don't understand the truly important transitions that are taking place because you're focused all day, all the time just on the deficit. And you might be missing the big picture."

The places that have focused on the long term and understood the full implications of transmitting knowledge—Silicon Valley, Taiwan, Boston, Singapore, Bangalore—have prospered. "You want to understand where jobs are and where growth is. It's in countries that spent money on education and infrastructure," he said.

One factor behind the high unemployment and debt crisis afflicting a country such as Spain, said Enriquez, is the failure to invest in the future. And that, he said, has resulted in an absence of start-up companies. He pointed to evidence that in the United States net new job creation comes not from Fortune 500 companies, but rather from the launch of new companies. "People are investing in the future. They've got dreams."

A relatively small amount of money invested can deliver outsized returns, Enriquez noted. Investments in venture capital-backed companies amounting to two-tenths of 1 percent of GDP have led to companies that now account for about 11 percent of U.S. jobs and 21 percent of U.S. economic output.

Enriquez closed with a plea for policymakers: "Don't cut research budgets for R&D by crowding it out with a whole bunch of current spending." He said, "You want to keep this country as the greatest power on earth? It's about investing in the future."

> Mandatory spending and interest costs on our debt threaten to crowd out critically needed investments in education, infrastructure, and R&D.

Shaping America's Future: Major Trends, New Ideas, and Big Decisions
President Bill Clinton and Bill Gates

INTERVIEWER: *Tamron Hall*

Tamron Hall, Bill Gates, and President Clinton

THE FIRST CONVERSATION of the day featured President Bill Clinton and innovator and philanthropist Bill Gates, interviewed by MSNBC's Tamron Hall. Clinton and Gates examined the most powerful trends facing the country, and assessed how today's policy decisions will help America overcome challenges and realize opportunities in areas such as healthcare, immigration, and global humanitarian leadership.

President Clinton said that when it comes to addressing the nation's fiscal challenges, "the question is timing." A long-term plan that is delayed too long could lead to higher interest rates that severely crowd out other spending, while imposing austerity too quickly could lead to high unemployment and slow growth similar to what Europe has experienced. "But we need to go ahead and pass a long-term plan and get this off the plate," Clinton said. "We're not debating anything about the future now." He added that a long-term budget agreement "would lift a huge burden. It would increase confidence."

Asked about how to invest big in America's future, Gates acknowledged that the debate about debt and deficits is obscuring the focus on key long-term issues, such as how innovation can help reduce healthcare costs. "We need to bring in a discussion about how we incent the innovation and how we get the efficiencies driven by measurement of quality," said Gates, adding that these quality measures are not found in today's healthcare system.

President Clinton also spoke to healthcare costs, saying "it's crazy for us to pay 17.9 percent of GDP for healthcare and no other big, rich country pays more than 11.8." He said about five years are needed to see the effects of the 2010 health reform law, which gives incentives for people to be healthier and for the system to deliver results-based care. In the long run, he said, controlling healthcare costs will depend on changing the delivery system, the financing, and personal behavior. "If we don't change all three of those things, we can't get our numbers down to where other countries are."

Turning to the immigration debate, President Clinton said he disagreed with the conclusions of a recent study estimating the costs of admitting more immigrants. Clinton also said that he is "for immigration reform because we need to stay younger

Shaping America's Future: Major Trends, New Ideas and Big Decisions
A Conversation with President Bill Clinton and Bill Gates


President Bill Clinton

> The current budget spends too much on the present and too little on investment in the future of the country.

than our competitors." Speaking of H1-B visas, which are reserved for high-skilled workers from other countries, he said, "It's clear that if you get more talented people in this country and you make them feel welcome to stay and you let them start businesses and do all these things, it'll strengthen us."

Gates agreed with Clinton about the value of high-skilled immigrants, and with respect to the broader immigration debate, he also rejected the notion that allowing more immigrants into the United States would be a net negative. "We are the envy of the world . . . because we have a growing population."

Asked about whether the current U.S. federal budget reflects American values and priorities and what adjustments should be made, Clinton said "the fundamental problem for me is that the budget spends too much money on the present and too little [on] investment in the future." Gates agreed, saying that, "in the face of the opportunity of the medical revolution where others are spending more . . . we cut basic research. We cut the aid budget, where over the last decade we have been exemplary in spending it better." He later said of the sequester and the cuts it mandated, "I don't think [it] reflects our values."

Clinton and Gates also agreed that innovations in the energy market present opportunities to the United States. While acknowledging natural gas's carbon emissions, President Clinton referenced a study that suggests that a 20-year slowdown in climate change could be achieved through more aggressive efforts to eliminate rapidly dispersing greenhouse gases.

Wrapping up a conversation heavily oriented toward seizing opportunities, President Clinton issued a call to emphasize results over politics: "All that really matters in the end is whether what you do turns your good intentions into real changes."


Bill Gates

Expanding Opportunity and Promoting Growth

MODERATOR: *Chuck Todd*

CHUCK TODD, the NBC News chief White House correspondent, interviewed senior leaders from Capitol Hill and the White House to assess the current state of budget negotiations. Todd framed the discussion by noting that two years of continuous fiscal deadlines produced incremental short-term progress, but failed to yield a long-term solution. Todd asked each policy leader to discuss his or her fiscal priorities, and to identify opportunities for progress in the coming year as well as hurdles that are preventing a long-term fiscal agreement.

Rep. Paul Ryan (R-WI)
Chairman, House Budget Committee
Chairman Paul Ryan struck a pragmantic posture early in his interview with Chuck Todd, saying he understood that "in divided government you don't get everything you want." And he gave President Obama credit for including the chained consumer price index (CPI). proposal in his budget.

Ryan highlighted differences between the parties, pointing out that the Senate and White House budgets don't set a date for coming to balance and "have large tax increases stacked on top of the $1.6 trillion of tax increases that have already occurred." Declaring his opposition to raising taxes, Ryan said that, "spending is the problem. For the last 60 years we've taken about 20 percent of GDP to spend for the federal government. By the time my three kids are my age we'll be taking 40 percent out of the economy to [fund] the federal government."

Asked about the prospects for reaching a budget agreement with the White House, Ryan replied, "What they're saying is raise more taxes for more spending. We don't like that construction. The second thing is, we want growth. The one thing that seems to be missing in this conversation all too often is, 'What are we doing to grow the economy? What are we doing to get people back to work? What are we doing to have faster economic growth so we have more revenues?'"

Ryan identified one area of common ground in the House and White House budgets: means testing of Medicare. But he said he does not expect a "grand bargain" on the budget this year. "A grand bargain implies you're going to fix the problem. But when you have the majority party in Washington unwilling to embrace the kinds of reforms that make Medicare solvent, or make Social Security solvent . . . I don't see a grand bargain happening."

Ryan also spoke about the two parties' views on tax reform. "[Democrats] want tax reform as a means to growing... the government. We want tax reform as a means to growing the economy, to getting people back to work. What that means to us is [closing loopholes and] lowering tax rates, not closing loopholes and keeping high tax rates."

Near the end of the session, Ryan struck an optimistic note, saying, "We would like to think there's an opportunity for a bipartisan agreement on tax reform, which gets us growth. We would like to think we could get to a bipartisan agreement on entitlement reform. And that's the kind of agreement we want to see at the end of the day."

Chuck Todd and Rep. Paul Ryan

We would like to see bipartisan agreement on tax and entitlement reform to grow the economy and make social security and Medicare solvent.


Sen. Patty Murray

> We cannot solve this problem through entitlement reform alone. Both sides have to participate in solving our debt and deficit challenges.

Sen. Patty Murray (D-WA)
Chairman, Senate Budget Committee
Todd's first interview was with Senator Patty Murray, who chairs the Senate Budget Committee. Murray pointed out that both the House and Senate passed budgets this year, and under Congress's normal "regular order" process, a conference committee would be created to resolve the differences. But Republican opposition to regular order has, she said, left her "unable to negotiate a deal."

Murray said that while the House budget is "fairly far apart" from the Senate and the White House budgets, "the common thread is that we all recognize that the debt and deficit is impacting our country's ability to really make sure that our economy is on track."

When asked why the Senate budget doesn't set a date for reaching balance, Murray noted that bipartisan groups such as Simpson Bowles didn't set a date for budget balance and said that "our economy is extremely fragile today" and setting an "arbitrary date" to "cut trillions from our budget" could have a significant impact on the economy. She also expressed reservations about the "chained CPI" measure included in President Obama's budget as part of a compromise proposal. "Chained CPI" modifies the manner in which inflation-based cost of living adjustments are made to federal programs. "It does have a huge impact on seniors and their Social Security, when everyone agrees it's not Social Security that caused the deficit." Murray expressed hope that Republicans would respond to the president's proposal with their own ideas for compromise.

Murray said that to ensure Medicare's future solvency, the Senate-passed budget would reduce Medicare spending by an additional $275 billion over the next 10 years. "We, as Democrats, are willing to look at those long-term proposals and to make adjustments in our programs . . . but we can't solve this problem just on the backs of Medicare and senior citizens and hardworking families. Everybody has to participate in this debt and deficit problem that we have. That's why revenue is so important."


Sen. Rob Portman

Murray closed by saying that the American public is tired of management by crisis. "It is hurting our businesses. It's hurting our families." She said that if another budget crisis is manufactured in order to get a budget deal, "that's going to reinforce to the American public that our country can't work. So I say let's not get there. Let's show the country we can work."

Sen. Rob Portman (R-OH)
Former Member, Joint Select Committee on Deficit Reduction;
Member, Senate Budget and Finance Committees
Senator Rob Portman began his discussion with Chuck Todd by emphasizing the importance of presidential leadership in budget negotiations. He said that President Obama's decision to include chained CPI in his budget, as well as a proposal to reduce corporate income tax rates, were "small steps in the right direction."

Portman also acknowledged that while some Republicans would prefer to put off any comprehensive budget measures until they have a Senate majority and perhaps a Republican in the White House, "I don't think the country can wait. I honestly believe that we're in trouble as a country, both in terms of the fiscal problem, but also in terms of our economy. And if we wait until 2017 I think we're taking a huge risk." He said that by failing to act, "we are risking a financial crisis that would make the one in '08 and '09 look relatively small."

Asked if he would reject any budget deal that included tax increases, Portman said his real focus is enacting structural changes that address rising government spending and incorporating dynamic scoring into assessments of tax proposals. He said that there are a lot of worthy ideas contained in various commissions that have issued reports in recent years. "We're not lacking ideas. We're lacking political will. And I do believe that if we don't solve this problem, we put the country in great jeopardy."

When asked whether the debate over raising the debt ceiling will be a catalyst for larger budget negotiations, Senator Portman said that over the past three decades debt ceiling deadlines were the only prods that have worked to reduce spending.

> We currently lack the political will to act on ideas that have been put forward, and by failing to take action, we place the country in great jeopardy.

Gene Sperling

> To move the country forward and secure a balanced agreement, compromise will be required from both sides in this debate.

"Every single one of the half dozen proposals that have actually worked to reduce spending in Congress in the last three decades has come out of this same process. Why? Because the American people do not like to extend the debt limit."

Gene Sperling
Director, National Economic Council;
Assistant to the President for Economic Policy
Gene Sperling started his discussion by declaring that President Obama has done "everything he can to create the conditions for a bipartisan [budget] agreement," citing the President's work with Speaker Boehner, his outreach to Senate Republicans, and his willingness to "go out of his comfort zone" to put forward a real compromise on entitlement spending. "If we're going to get a balanced agreement, it is going to require both sides to get less than 100 percent, both sides to be willing to tell their supporters that we have to compromise to do something positive, to move the country forward."

Sperling was extremely critical of the sequester, saying that it is cutting into spending on both Democratic and Republican priorities, while also stifling economic growth. "We're at a point where our economic recovery is showing some strength in the housing side. We could be taking off. Instead we're putting a brick on the economy."

Asked about generating higher revenues by closing tax loopholes and reducing the corporate tax rate, Sperling said, "It's very difficult. But the President's never put that off the table."

Responding to Senator Portman's comment about using an increase in the debt ceiling as leverage to achieve budget objectives, Sperling said, "the President's been very clear. He's not negotiating on the debt limit." He added, "No one, Democrat or Republican, for any reasons should ever use the default of the United States as a budget tactic or a negotiating tool."

Asked about the importance of striking a budget agreement this year, Sperling said that "the first year of a president's second terms is a good time for people

Rep. Chris Van Hollen

to come together and make hard choices that are good for the country." To that end, he said, "President Obama has been willing to accept things [Republicans] need for a budget agreement that he doesn't necessarily agree with. You've seen him show the political courage of doing things that many of his own supporters disagreed with . . . He's about getting something done. He's willing to compromise . . . He's showing the country that there's another way forward."

Rep. Chris Van Hollen (D-MD)
Ranking Member, House Budget Committee
Representative Chris Van Hollen was the final policymaker interviewed by Todd and he spoke to many of the challenges associated with trying to negotiate with Republicans.

Van Hollen said there is a fundamental difference of opinion between the two parties regarding how to reform Medicare, with the GOP proposing a measure that "just transfers rising healthcare costs onto the backs of seniors." He also highlighted his concern with President Obama's chained CPI proposal, which he said could result in senior citizens paying more for healthcare.

Asked why the House Democratic budget does not set a date for coming into balance, Van Hollen said, "Our absolute priority has to be economic growth in the short term and in the longer term." He added that the House Democratic budget does come into balance by 2040, which he pointed out is also the date when a balanced budget would have been reached under last year's House Republican budget.

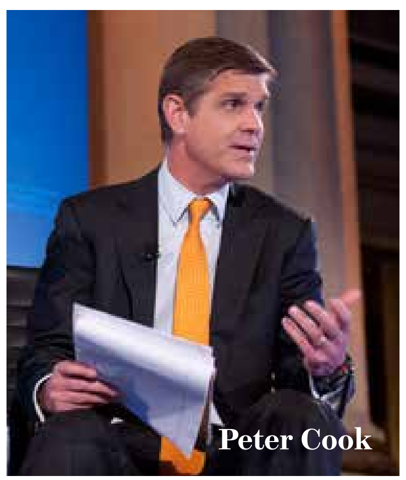
Van Hollen rejected the notion that the United States is facing an immediate deficit crisis, saying that, "I think the main crisis right now is a jobs deficit. We continue to have high unemployment rates. And the Congressional Budget Office has said if you look at next year's deficit, three-quarters is a result of the fact that we have high unemployment."

Van Hollen added, however, that there is a need to reduce long-term deficits, which he said "will become unsustainable if we don't take action."

> In the short-term, our priority must be dealing with high unemployment. In the long-term, we must address our deficits, which will become unsustainable.

The New Demographics: The Future of Work and Retirement in America

MODERATOR: *Peter Cook*


Peter Cook

In order to remain competitive in the future, the United States economy needs both physical labor and highly educated workers.

DURING LUNCH, a distinguished group of panelists discussed the broad changes expected in the composition of the U.S. workforce, the growing number of retirees, and the implications these major trends could hold for U.S. fiscal policy, for the economy, and for future generations of Americans.

The featured panelists were Representative Peter Roskam of Illinois, the chief deputy whip of the House Majority; Congressman Xavier Becerra of California, the Chair of the House Democratic Caucus; *New York Times* columnist David Brooks; and Janet Murguía, president and CEO of the National Council of La Raza. The discussion's moderator was Peter Cook, Bloomberg Television's chief Washington correspondent.

Cook began by asking Murguía to describe how different America will look in the coming decades. Murguía pointed out that Latinos represented 50 percent of the population growth in the last census, and one out of every four children under the age of 18 is Hispanic. "So when you look out into the future at 2030, you're going to see a quarter of the workforce reflected by the Hispanic community." The key question, she said, is "What are we doing now to make sure they're best prepared to enter that workforce?"

Surveying immigration and demographic trends, Brooks said that "heterogeneity within the immigrant groups will become greater. So knowing you're Hispanic or white or black will become less important. Knowing whether you completed college will become more important." He added, "The key fact about our future is not going to be the ethnicity, and it's not going to be the aging. It's going to be the social bifurcation along educational lines."

Becerra said we should remember that the U.S. economy needs both physical labor and highly educated workers to compete in the future—and we should reward both. "While we will become a knowledge-based economy, no longer an industrial-based economy, we have to remember, someone still has to build that factory. Someone still has to build the school," Becerra said. "If we remember to once again reward work—which I think we've forgotten to do in this country, otherwise wages wouldn't be so stagnant as they are today—then I believe we're going to revive the middle class."

Becerra also emphasized the economic importance of passing immigration


Rep. Peter Roskam


Rep. Xavier Becerra


David Brooks


Janet Murguía

reform, saying that both immigrants and the American people are ahead of the politicians on the issue. "We'll deal with the border. We'll deal with the workplace. But we have to deal with that population of folks who's working very hard here, because it's good for our economy. Not because it's good for them. Because it's good for our economy."

Asked if he believed immigration was a net positive for the U.S. economy, Brooks said, "If we pass immigration reform, I think it's an easy plus." Roskam agreed, saying, "There's no doubt that immigration is a boon and a plus to this economic situation that we're in." Roskam also said, "We've got to deal with entitlement programs and get our fiscal house in order to create competitiveness."

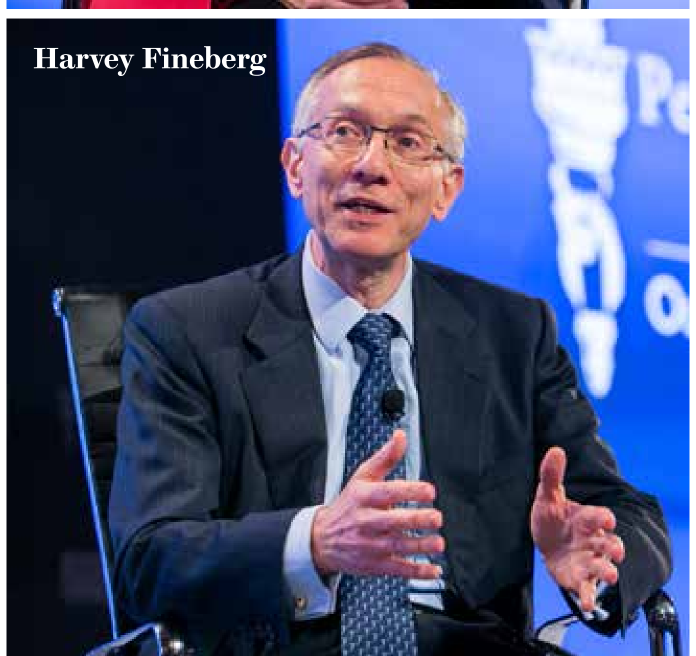
Murguía said that the National Council of La Raza and the Latino community understand that "we all have to do our part when it comes to looking at the future of our economy, and when it comes to the deficit situation. And as it relates to entitlement reform, we do believe in a shared sacrifice, but we also understand that we have to make key investments now in order to make sure that we are able to have a strong, functioning, and competitive economy."

Improving Outcomes and Containing Costs: The Future of American Healthcare

MODERATOR: *Julie Rovner*


Julie Rovner


Mark McClellan


Harvey Fineberg


Susan Dentzer

THE FISCAL SUMMIT'S FIRST AFTERNOON panel focused on the U.S. healthcare system. America spends more per person on healthcare than any other nation. Yet when you compare health outcomes, the U.S. is not getting its money's worth. Healthcare costs are the number one driver of long-term debt and a major challenge for businesses, families, and the economy as a whole.

The featured panelists were Harvey Fineberg, MD, president of the Institute of Medicine; Mark McClellan, MD, director of the Brookings Institution's Engelberg Center for Health Care Reform and former administrator of the federal government's Centers for Medicare and Medicaid Services; and Susan Dentzer, senior policy adviser for the Robert Wood Johnson Foundation. The session was moderated by Julie Rovner, health policy correspondent for National Public Radio.

Rovner started the session by asking the panelists how to make innovation in healthcare "our friend rather than our enemy," pointing out that innovation in other industries tends to make goods and services less expensive, but healthcare innovation ends up driving up costs.

One of the contributing factors, said McClellan, is that "a lot of our regulatory frameworks and a lot of our other policies are designed around volume and intensity, not necessarily getting the best results for patients at the lowest cost." Dentzer pointed to what she called "disruptive innovation" that is bringing new healthcare technologies out of institutions and into the home, such as online remote monitoring. The key, is putting in place incentives, said Fineberg, "to induce the kind of technology that will not only improve the quality of care but also save resources."

Rovner asked the panelists to identify the single most important policy choice that Congress and the president could make to rein in healthcare spending.

McClellan said that many Americans can't take advantage of potentially cost-saving and quality-improving technologies such as wireless monitoring because many of those kinds of technologies are not covered by traditional provider payment systems. He said that there are examples of providers taking new steps in delivering care around the country to try to change this discrepancy, "but very often they're swimming against the financial tide, they're losing money in their practices when they try to take these steps."

> Insurers, policymakers, and healthcare providers should find ways to incentivize the creation and utilization of technology that saves resources and improves quality of care.

Dentzer called for the government to increase focus on the health of the American public, pointing to the fact that the U.S. has some of the poorest outcomes in health among industrialized countries.

Fineberg called for adjusting the incentives in the way doctors and hospitals are reimbursed, and helping patients understand the costs of service, "so that everyone is aware and mindful of choosing the best care at lower costs." He later said that an Institute of Medicine study found that $750 billion per year in health spending (or about 30 percent of all health spending annually) does not contribute to better health. "When you have that size of a target of opportunity to reduce costs while enhancing the quality of care and improving outcomes, that's where we should be focusing."

The session ended with Rovner asking how to address the fact that many Americans associate controlling healthcare costs with lower-quality care. Fineberg said that the goal should be ensuring that all patients know that care will be available when they need it, and that they can share in the decision-making process. That way, he said, "they only get what they really need and want and do not find themselves or members of their family in a situation where they're getting services that will not contribute to their health."

Succeeding in a Competitive World: The Future of Education, Innovation, and Security

MODERATOR: *Andrea Mitchell*

Our investment and entrepreneurial climate should foster innovation and future prosperity, and our students must be educated to be tomorrow's leaders and highly skilled workers.

THE FINAL SESSION of the 2013 Fiscal Summit focused on the policy choices that must be made today to enhance U.S. economic strength and security for the future. America faces new and evolving challenges in the 21st century global political economy. Emerging economies have become powerful players in the global marketplace. The security environment is changing, with new threats challenging old mindsets. Maintaining America's status as a global leader will require innovation and a capacity to compete with the best in the world.

The panelists were Admiral Mike Mullen, the former chairman of the Joint Chiefs of Staff; Martin O'Malley, Governor of Maryland; and Carly Fiorina, chairman of Good360 and former chairman and CEO of Hewlett-Packard. The session was moderated by Andrea Mitchell, NBC News chief foreign affairs correspondent and host of *Andrea Mitchell Reports* on MSNBC.

Mitchell asked O'Malley about the approach he has taken to boosting the quality of schools in Maryland. O'Malley responded that Maryland's public schools had been ranked "number one . . . in America five years in a row" and that education investments are "about one thing and one thing only, and that is, how do we build up an innovation economy to meet the security challenges we face? What are the skills our people need in order that we can create jobs and expand opportunity?"

Drawing on her experience as a former CEO, Fiorina said that the U.S. is "simply not educating enough people at the standards that we need to in order to continue to have leading and globally competitive companies and states." She pointed out that the federal education budget has increased virtually every year for 50 years, "and yet the quality of our education has gone down, proving yet again, it's not just about how much money we spend. It's what do we spend it on."

Mullen said he is sometimes asked what keeps him awake at night. "Number one on that list is our debt," he said, "and number two is our K-12 education system."

Turning to national security issues, Mitchell asked Mullen about the cybersecurity threat, and a U.S. government report pinning some blame on China for recent activity in this area. "I think it's existential to our way of life . . . and a very potent threat," he replied.

Fiorina said that the military, in a budget-constrained environment, "is going to be focusing its investments on hot spots." She called for engaging the private sector and the philanthropic sector in a strategic alliance around the use of soft power. "If you look at what China is doing, for example, in places like Africa, or in places like Latin America, it's not their military that's going in. What's going in are companies that are investing." She called for the U.S. to use all of its strategic assets—its military, its private sector, and its philanthropy—to foster a "greater and more positive impact in a budget-constrained time."

O'Malley talked about the work Maryland has done to build up homeland security capacities, which are needed because, "for the next 100 years, we are going to be fighting, here in the homeland, asymmetrical opponents . . . and we cannot be complacent and pretend that this is something that's merely an East Coast phenomenon or this is something that only happened 10 years ago."

Mitchell closed the session by asking the panelists to cite one thing they would do to increase U.S. competitiveness and improve the U.S. educational system. All three cited the need for outstanding teachers, with Fiorina adding, "We have to get the government's role right in innovation. The government has a very important role to play in innovation."

Conclusion

The 2013 Fiscal Summit examined the critical connection between reducing America's long-term debt burden and ensuring that we have the investment resources we need to remain a leader in an increasingly knowledge-based and competitive global economy. Participants candidly discussed the obstacles and opportunities for progress on bringing long-term debt to sustainable levels, while addressing a number of interrelated public policy issues, including immigration, health care, education, and national security. We are hopeful that the discussions held during the Fiscal Summit will be a catalyst for policymakers to come together to put the nation on a responsible fiscal path that builds a foundation for broadly shared prosperity and long-term economic growth.

2013 FISCAL SUMMIT
FACING THE FUTURE

For more photos and full video from the 2013 Fiscal Summit please visit, **www.fiscalsummit.com**.

Peter G. Peterson Foundation
Our America. Our Future.

www.pgpf.org

Photos by Chris and Ralph Alswang