

WELCOME AND OPENING REMARKS: RISING DEBT IN A CHANGING ECONOMY

Michael A. Peterson

FOUNDATION PRESIDENT and Chief Executive Officer Michael Peterson delivered opening remarks for the Fiscal Summit, setting the tone for the day's program.

"America faces a new and uncertain landscape," Peterson said—noting the challenges and opportunities related to our nation's fiscal and economic outlook. While our nation is still recuperating from a politically turbulent election year, Peterson said, the economy is evolving and a new president and Congress are pursuing an ambitious legislative agenda.

On the morning of the Summit, the Trump administration released its first full budget proposal, which Peterson addressed during his remarks. "The administration deserves credit for putting forth policy options to significantly improve our nation's unsustainable fiscal outlook," he said. However, he added, key questions remain surrounding the budget's economic growth projections, which many

economists found to be overly optimistic. Additionally, he noted that the two key drivers of spending—Social Security and Medicare—are not addressed in the budget, leaving these essential programs "vulnerable to insolvency" based on their current outlook. Calling for a collaborative approach, Peterson said that "the president and Congress should work together and across party lines to find common ground in order to achieve lasting policy solutions for the long-term health of the nation."

Set against this backdrop, Peterson warned that our fiscal condition remains "as important and serious as ever." He noted that our national debt is currently 75 percent of gross domestic product, which is "the highest since just after World War II." He added that while annual deficits have come down since the recession, "they will begin rising again over the next ten years. In just six years we'll be back to trillion dollar deficits."

To secure our nation's future, "we must address this before it's too late," Peterson said. In just over 10 years, interest costs will become the third-largest federal program, and in just over two years, "we'll spend more on interest than we do on our kids."

Peterson outlined the fact that all of the major reform proposals under consideration by lawmakers will impact, and are impacted by, the national debt. Given that 70 percent of the spending growth in our major entitlement programs is for healthcare, addressing the U.S. healthcare system is essential to improving our fiscal outlook. Tax reform can have a significant and direct effect on our fiscal path, making it far better or far worse. While many agree that there is a need to address our infrastructure, there is considerable uncertainty surrounding our ability to pay for it given our growing debt and interest burden. And as America's workforce adapts to globalization, the national debt threatens our economic growth and leadership role in the world, Peterson said.

With our national debt set to increase by \$7 trillion over the next eight years, Peterson argued that America's rising debt must be a central part of any 2017 policy discussion. "It's time to transcend the uncertainty and focus on building a strong economy with a stable fiscal foundation," he told the audience. "This is why the Peterson Foundation exists and why we're here today."

Setting a stable and sustainable fiscal course, he said, "is essential for us to meet the most pressing challenges of a changing economy."



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