Americans care deeply about the future of our country. We aspire to live in a nation with widespread opportunity, a positive leadership role in the world and a bright future for generations to come.

Amid the debate over national priorities, one thing is certain: to build America’s future, our nation will need significant resources. Fiscal sustainability is critical to meeting our challenges over the long term — it represents the foundation for our ability to address the needs and ambitions of our society.

Now and over the coming decades we face many critical, interconnected challenges, including rising inequality, unaffordable healthcare, a changing climate, faltering infrastructure, failing education, and new and unpredictable security threats. Americans’ concerns about these issues are rising, while our fiscal condition and ability to address them are falling.

The Peter G. Peterson Foundation’s 2019 Fiscal Summit: Building America’s Future brought together experts and policymakers to discuss how to build a sustainable fiscal future to put America on a path for prosperity and leadership. Our nation’s future is at stake, and we owe it to coming generations to set a stronger, smarter and more responsible foundation for the future of America.
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MODERATOR: Jeff Holland, Vice President of Research, Peter G. Peterson Foundation
Foundation Chairman and CEO Michael Peterson opened the Summit, outlining the day’s themes and making a moral argument for the need to manage America’s rising debt. Our current debt path, Peterson said, is an “injustice” that harms the economy that the next generation will inherit.

To successfully address the many complex issues that our nation faces in the years ahead, Peterson said that America will need significant resources — fiscal sustainability represents the foundation for our ability to meet our most pressing challenges.

“What makes America strong is our willingness to build and leave a better future for the next generation.”

— Michael A. Peterson
CONGRESSIONAL LEADERS: BUDGET AND TAX POLICY TO MEET AMERICA’S PRIORITIES

REPRESENTATIVE KEVIN BRADY AND REPRESENTATIVE JOHN YARMUTH
Interviewer: Heather Long

“We know what’s driving the debt for the future: population ... and healthcare spending. And so you can’t ignore it.”
— REP. KEVIN BRADY

In back-to-back interviews with Washington Post Economics Correspondent Heather Long, two of the nation’s most prominent and consequential voices on budget and tax policy discussed their approaches and ideas for shaping America’s fiscal future.

House Budget Chairman John Yarmuth (D-KY) and Committee on Ways and Means Ranking Member Kevin Brady (R-TX) both acknowledged the challenges posed by high and rising debt, outlining their priorities for investing in America’s future while putting our nation on a more sustainable path.

Discussing the 2017 tax legislation that added to deficits, Chairman Yarmuth expressed his preference for finding new sources of revenue to offset needed investments in our future. He highlighted tax expenditures as an area ripe for reform that could help raise revenue without harming the economy.

Ranking Member Brady discussed the impact of trade and tariff uncertainty, citing his hope that “short term pain ultimately will lead to greater economic growth in the long term.” He warned that America’s high and rising debt will be a “scary” problem “sooner than we think,” identifying demographic trends and growing healthcare costs as key drivers of spending in the years ahead.

“We still have an awful lot of investment opportunities and necessities that we’ve neglected over the last decade.”
— REP. JOHN YARMUTH
While America’s economy continues on a lengthy expansion, with low unemployment and interest rates, our national debt is at historically high levels with deficits projected to rise rapidly and indefinitely into the future. Three leading macroeconomists discussed this unusual dynamic with Greg Ip of the Wall Street Journal, offering perspectives on the relationship between debt, deficits, interest rates and the economy, as well as policy recommendations to stabilize our fiscal outlook without threatening growth.

Panelists shared a consensus that America’s debt does pose a risk to growth, but each offered context from their own research and experience. Olivier Blanchard made the case that if the United States is able to reduce deficits in the short term at no cost to economic output, it should do so. However, he cautioned that fiscal consolidation could cause a decrease in demand and result in action from the Federal Reserve to lower interest rates. This would be an undesirable outcome, he said, given that rates are already quite low. “I think we all want the Fed to have a bit more margin to play with,” Blanchard said, “so I think the conclusion for the U.S. is, in the absence of a recession, experience.
[to] decrease the primary deficits at a rate which does not put into question growth.”

Kent Smetters, who heads the Penn Wharton Budget Model, discussed his work to project the economic impact of fiscal policy. He argued that simply stabilizing the debt at current levels could have significant positive effects on growth. Smetters projected that stabilizing the debt-to-GDP ratio around its current level would lead to “sizable increases in GDP” of 1 to 3 percent. Relative to other fiscal policies, he said, debt stabilization is “the biggest kicker in terms of stimulating the economy.”

Beth Ann Bovino explained how America’s fiscal outlook affects our sovereign debt rating and, as such, our global strength. She said that while the U.S. dollar still enjoys a unique status as the world’s reserve currency, political dysfunction and rising debt are negative factors in measuring America’s creditworthiness. According to ratings assessments at her firm, the U.S. debt outlook received the lowest measurement possible: “We have a factor of one to six … U.S. debt [is] the lowest. It’s six—can’t go lower than that.”

“The risk factor is huge. In particular, what happens if the rest of the world doesn’t see the U.S. as that safe, ubiquitous asset?”

— KENT SMEETERS

“Moving towards pay-as-you-go [budgeting], that would be something that probably would comfort markets here and abroad, and would be a positive.”

— BETH ANN BOVINO
Speaker Nancy Pelosi outlined her priorities on a wide range of domestic and foreign policy issues during this one-on-one interview with Manu Raju, televised live on CNN. Discussing her interactions with the White House as well as with other congressional leaders, the Speaker consistently returned to the subject of our nation’s fiscal outlook as a key part of meeting challenges in areas including economic growth, climate change, and health-care access and affordability.

The Speaker highlighted pay-as-you-go budget rules as an essential tool to ensure fiscally responsible policymaking. She cited the need to pay for important national priorities, while investing in our future economy through infrastructure development, education and workforce development. America’s leaders, she said, have a “responsibility to find common ground wherever we can.”

“Whatever solutions come forward, whether they’re from the right or from the left, [we should] be open to them, on what we can do together to reduce the debt.”

— SPEAKER NANCY PELOSI
From One Generation to the Next: Our Fiscal and Economic Legacy

Lanhee J. Chen, William Gale, Heidi Heitkamp, and James Poterba
Moderator: Ylan Q. Mui

As baby boomers retire and our fiscal outlook worsens, what kind of fiscal and economic legacy will we be passing on to younger generations? To answer this question and provide key context, this panel brought together experts across a range of policy areas, offering insights on ways to understand, mitigate and prepare for a complex intergenerational dynamic as younger generations come of age in a culture of debt.

William Gale described his research on the economic challenges faced by the millennial generation, noting that many younger Americans came into the workforce at a time when the economy was in recession. This timing, he said, will “scar” their wages over time, with ripple effects throughout their careers. Additionally, he noted, because millennials are getting married, buying homes and having children later than previous generations, they are also starting to save for retirement later. “And if you know anything about retirement saving, you know that whenever you started, you should’ve started sooner.”

James Poterba explained how larger macroeconomic factors like lower interest rates will also have an impact on the ability of younger Americans to save for the future. “When interest rates or rates of return are lower, that compounding works slower. You don’t manage to gain as much from saving for many years. And this turns out to have a dramatic impact on the capacity to save for the long term,” he said.

Heidi Heitkamp discussed her work to engage young Americans on how their economic future will be affected by the nation’s fiscal outlook. Through an initiative called The Real State of the Union, Heitkamp works to “communicate to the next generation that they need to be involved … right now on fiscal issues, whether that’s Social Security and Medicare, whether that’s healthcare.”

Discussing the political landscape that contributes to inaction on many key issues, Lanhee Chen said, “it’s not fun to talk about the challenges that we face. And in the political system, you have a misalignment of incentives.” He stressed the importance of injecting a future-oriented perspective into discussions about policy, especially during campaign season, to understand the implications not just for the next generation, “but generations beyond that as well.”

“I’d argue one of the biggest challenges we have in our healthcare system is a lack of consumer information about price and quantity. I’d certainly invest more in getting people more information to be educated consumers.”

— LANHEE J. CHEN

“Baby boomers will be the first generation in our history that inherited from our parents and borrowed from our kids. Shame on us.”

— HEIDI HEITKAMP
“To think about saving for 30 years for your retirement at the kind of rates that people have saved at historically, it’s very hard to see that adding up to adequate retirement savings for the generation that faces rates of return like what we see today.”

— JAMES POTERBA

“The key issues for millennials with Social Security, and to some extent Medicare, is that the baby boomers have basically escaped the benefit cuts or tax increases that we all know are coming.”

— WILLIAM GALE
BUILDING THE FUTURE FOR A CHANGING NATION

WILLIAM H. FREY, HEATHER HAHN, PHILIP N. JEFFERSON, AND MARGARET SPELLINGS
Moderator: Stef W. Kight

With a range of sweeping demographic, social, economic and technological changes shaping America’s future, four renowned experts joined on stage to discuss ways to ensure widely shared economic growth for our nation. Stef Kight of Axios moderated the conversation, which brought unique perspectives on issues including demography, inequality, diversity and investment in the next generation and explored ways to prepare for key transitions in our nation. Participants discussed the implications of changing demographics in the U.S., highlighting current racial disparities in income levels, home ownership, and education accessibility.

William Frey summarized the change America’s population is undergoing: “The main theme is that we’re getting older, but the younger part of our population is sharp racial disparity in all of these socioeconomic measures, we have a lot of work to do if we’re going to build our labor force, our tax base, our consumer base.”

— WILLIAM H. FREY
Heather Hahn became much more racially diverse." Given trends in fertility, Frey said, "immigration is what's keeping us growing at all." America's changing landscape has significant socioeconomic implications, as rising minority populations face disparities in areas including homeownership, poverty and educational attainment. To meet this challenge, Frey said that we need to have policies that focus like a laser beam on things like education, workforce, [and] childcare.”

Heather Hahn emphasized the intergenerational gap and how it relates to priorities in fiscal policymaking. Currently, she said, "the federal government spends $6 for every senior compared to $1 for every child." This disparity is "squeezing out" investments in everything else, especially investments in children, she said.

Philip Jefferson identified technological change and globalization as playing outsized roles in the U.S. economy, with an especially great impact on income inequality. Connecting these trends to fiscal and demographic challenges, he said that when it comes to spending on seniors, "what's really important from the fiscal perspective is our capacity to pay for that spending. And what that depends on crucially is the number of workers that are in the economy who are working age and very productive and paying into the systems that we use to support senior citizens.”

Drawing on the economic experience of her home state, Margaret Spellings highlighted Texas as a useful test case for dealing with a rapidly changing society on a large scale. She pointed to the contributions of the Hispanic immigrant community in Texas as a key factor in its business climate but emphasized the need to continue to invest in the future economy. "It's possible and morally right to educate all children to high levels. And we're going to work hard at doing that.”

"I think we need to invest in all of our children. If we stay on our current course, under current law, spending on children is projected to decline over the next decade.”

— HEATHER HAHN
"We know that the benefits of lifting children out of poverty at an early age persist going forward in terms of educational attainment and lifetime earnings. That’s the type of return on investment we would want from public money."

— PHILIP N. JEFFERSON

“I’m optimistic because I think politicians and policymakers, when you’re presented with the facts, I mean they’re immutable. And they deserve solutions.”

— MARGARET SPELLINGS
VIEW FROM THE WEST WING: THE ADMINISTRATION’S PERSPECTIVES AND PRIORITIES

MICK MULVANEY
Interviewer: Eamon Javers

From his unique perspective as acting chief of staff and director of the Office of Management and Budget, Mick Mulvaney gave the Fiscal Summit audience an insider’s look at the White House policy agenda. In his interview with CNBC’s Eamon Javers, Mulvaney covered a wide range of topics, including reactions to breaking news on the administration’s negotiations with Mexico as part of a new trade agreement as well as developing discussions with Congress on infrastructure investment, deficit reduction and the debt ceiling.

Mulvaney described the unique political dynamic of divided government and shared insights from his time serving in the House of Representatives. Regarding the national debt, Mulvaney said that the administration is exploring options to “grow our revenues faster than our expenses,” acknowledging that the United States cannot sustain trillion-dollar annual deficits indefinitely. Eventually, he said, “people will stop lending you money.”

“We’re going to balance the budget eventually … either you balance it on your own terms or on other people’s terms.”

— MICK MULVANEY
“We work hard to ensure that our analyses are timely, thorough and non-partisan. We recognize that credibility is important on a day-to-day basis and is especially critical when important policy decisions are being made on the basis of our work.”

— Phillip Swagel
Up to Us is a nationwide, campus-based movement fueled by students who recognize how the nation’s fiscal condition shapes their future opportunities. Through creative campaigns at colleges and universities throughout the country, emerging leaders power the Up to Us movement by educating and engaging their peers about the relationship between America’s growing debt and the economy they will enter.

Michael Peterson recognized the winners from this year’s annual campus competition: Oakland University in Rochester, Michigan.

“Up to Us is one of the programs of which we’re really most proud at the foundation. This is the future. This is what it’s all about.”

— MICHAEL A. PETERSON
The Solutions Initiative brings together leading think tanks from across the political spectrum to put forward comprehensive plans to set America on a stronger, more sustainable fiscal path. All seven participating organizations proposed 30-year, comprehensive budget plans that would significantly reduce our national debt.

A special afternoon session brought together the authors of each plan for an interactive and engaging discussion about their policy choices, recommendations and tradeoffs across the budget, including reform proposals for healthcare, Social Security, discretionary spending, tax policy and more. While our fiscal outlook has deteriorated in recent years, making America's debt challenge even more daunting, these seven organizations proved that solutions do exist to manage that challenge.
“Our plan outlines a path toward a stronger, more inclusive economy while significantly improving our long-term fiscal outlook.”
— SETH HANLON, CENTER FOR AMERICAN PROGRESS

“Over the long term, addressing the debt challenge will remove a significant future risk to the economic outlook.”
— GORDON GRAY, AMERICAN ACTION FORUM

“The purpose of our plan is to achieve long-run fiscal stability and promote economic growth.”
— ALAN D. VIARD, AMERICAN ENTERPRISE INSTITUTE

“[Since the last Solutions Initiative,] our choice architecture set has decreased, it’s narrowed.... [T]he key is we really need to act now.”
— JASON J. FICHTNER, BIPARTISAN POLICY CENTER

“Our view is that there are a lot of things that the public sector ought to be doing that it isn’t doing.”
— THEA LEE, ECONOMIC POLICY INSTITUTE

“Something has to give. If we do not stabilize the national debt, it’ll be the economy that gives.”
— BRIAN RIEDL, MANHATTAN INSTITUTE

“The federal budget is too focused on consumption by the current generation and not enough on investment in the next.”
— BEN RITZ, PROGRESSIVE POLICY INSTITUTE

Read the full plans at pgpf.org/solutions-initiative-2019.
SOLUTIONS INITIATIVE 2019:
PROJECTED FEDERAL DEBT

DEBT HELD BY THE PUBLIC (% OF GDP)

For more photos and full video from the 2019 Fiscal Summit, please visit www.fiscalsummit.org.

Photos by Chris Williams and Allison Shelley