

Peterson's Purpose: America's Economic Future

An Interview with Pete Peterson,
Founder and Chairman, Peter G. Peterson Foundation

EDITORS' NOTE Pete Peterson, a Co-Founder of The Blackstone Group, now dedicates his time to his Foundation and other charitable activities. Before starting Blackstone, he was Chairman and CEO of Lehman Brothers (later Lehman Brothers, Kuhn, Loeb Inc.). From 2000 to 2004, he served as Chairman of the Board of Directors of the Federal Reserve Bank of New York. Peterson spent part of his earlier career in government service



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when, in 1971, President Richard Nixon named him Assistant to the President for International Economic Affairs. One year later, he was named U.S. Secretary of Commerce. Following his stint in government, Peterson was instrumental in launching the Institute for International Economics (now the Peterson Institute for International Economics) and The Concord Coalition, a nonpartisan organization that advocates for sound fiscal policy in Washington. Peterson also is Chairman Emeritus of the Council on Foreign Relations and the author of six books, including the best-selling *Running on Empty: How the Democratic and Republican Parties are Bankrupting Our Future* and his latest, *Steering Clear: How to Avoid a Debt Crisis and Secure Our Economic Future*, which was released in February 2015.

ORGANIZATION BRIEF The Peter G. Peterson Foundation (pgpf.org; PGPF) is a nonpartisan organization dedicated to increasing public awareness of the nature and urgency of key fiscal challenges threatening America's future, and to accelerating action on them.

Would you discuss the main areas of focus for the Peter G. Peterson Foundation?

In 2008, I launched the Peter G. Peterson Foundation to increase public awareness of the nature and urgency of the key long-term fiscal challenges threatening America's future and to accelerate action on them. To address these challenges successfully, we work to bring Americans together to find and implement sensible, long-term solutions that transcend age, party lines, and ideological divides in order to achieve real results.

Would you highlight some of the major grants and programs that the Foundation supports?

We serve as a convener and consensus builder, bringing together a diverse range of people, organizations, and ideas to bridge partisan divides – including through our signature annual event, the Fiscal Summit. The Summit has featured many prominent leaders including President Bill Clinton, Bill Gates, Speaker John Boehner, Minority Leader Nancy Pelosi, Speaker Paul Ryan, Admiral Mike Mullen, and many others.

We support original, constructive policy solutions for the nation's fiscal and economic challenges, partnering with leading thinkers and policymakers representing a range of viewpoints. In 2015, the Foundation completed the third iteration of its Solutions Initiative, a unique project that convenes policy organizations from across the ideological spectrum to put forward comprehensive plans for stabilizing America's long-term debt. The project demonstrates the wide range of viable options available to policymakers.

We educate, engage, and inspire Americans with initiatives and campaigns that increase awareness, drive a thoughtful national dialogue, and build support for sustainable fiscal policies that will lead to a vibrant economic future. We produce a robust range of our own research and analysis, enriching the conversation, presenting clear facts, and adding insights about the unsustainability of the long-term fiscal challenge. The Foundation strives to be an unbiased source of research and analytical materials, including charts, presentations, budget analyses, and assessments of public opinion through the Fiscal Confidence Index, a monthly measure of attitudes about the long-term national debt.

We empower the next generation to take action through unique college-based programs like Up to Us, because the voice of America's millennials is essential as we chart our economic future. With our grantees, the Clinton Global Initiative University and Net Impact, this effort now includes 53 colleges and universities in 28 states.

And in 2014, we established the Peterson Center on Healthcare, which is dedicated to making higher-quality, more affordable healthcare a reality for all Americans. The Center is working to transform U.S. healthcare into a high-performance system by finding innovative solutions that improve quality and lower costs,

and accelerating their adoption on a national scale. Speaking of healthcare costs, they are about twice as large as those of other developed nations but our health outcomes are generally no better.

When you look at the critical nature of the debt problem, is enough being done to address it and what are the key factors that need to be addressed to truly drive change?

Unfortunately, not. Deficits have begun rising again, and we remain on a dangerously unsustainable long-term course that threatens our economic future.

Take for instance interest costs, which are projected to climb to \$830 billion by 2026 and total \$5.8 trillion over the next 10 years. They will become the third largest category of the budget in 2023, the second largest category in 2032, and the single largest category by 2040 (according to CBO's alternative fiscal scenario). With our many important national priorities, including education, R&D, infrastructure, and national security, none of us wants interest to become the single largest government "program." If interest grows to these astronomical levels, where, then, will we find the resources to invest in our nation's economic future?

There are major benefits of putting the U.S. on a stable fiscal path. A strong fiscal foundation is key to increasing incomes, prosperity, and opportunity. With lower interest costs, we will have more resources available for important private and public investments that improve productivity and competitiveness. And fiscal strength is essential to maintaining a safety net for the most vulnerable, and to our ability to respond to unforeseen crises, foreign and domestic.

How important is it to educate the public on the negative ramifications of growing debt?

It's critically important that Americans understand the nature of the problem, and engage in a conversation with their leaders about the connection between our long-term fiscal outlook and the economy.

Failing to act on our national long-term debt will bring serious consequences. Economic growth will slow. Incomes will be lower. As the debt continues to grow and interest costs rise, it will consume an increasing portion of the federal budget, and begin crowding out investment in priority areas like education, infrastructure, and R&D – all of which are critical foundations and drivers of our economy. ●