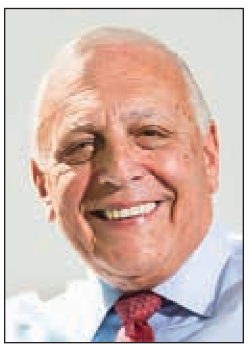
# Building A Strong Fiscal Foundation

**A Conversation with Business Leaders on the National Debt**

***LEADERS Magazine asked a select group of business leaders for their thoughts on the current state of the national debt and its potential impact on the future. Here are their responses.***



Robert B. Catell

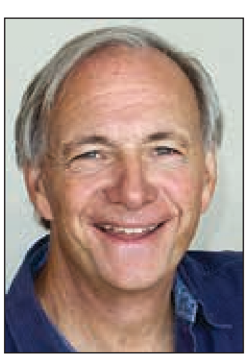
**Robert B. Catell, Chairman, Advanced Energy Research and Technology Center at Stony Brook University and Chairman, National Offshore Wind Research and Development Consortium**

Robert Catell was formerly the Chairman and Chief Executive Officer of KeySpan Corporation and KeySpan Energy Delivery, the former Brooklyn Union Gas. His career with Brooklyn Union Gas started in 1958. Following National Grid's acquisition of KeySpan Corporation, Catell became Chairman of National Grid U.S. and Deputy Chairman of National Grid plc. He currently serves as Chairman of the Advanced Energy Research and Technology Center, National Offshore Wind Research and Development Consortium, and is Chairman Emeritus at Cristo Rey Brooklyn High School. Catell received both his bachelor's and master's degrees in mechanical engineering from the City College of New York.

Douglas R. Conant

**Douglas R. Conant, Founder & CEO, ConantLeadership**

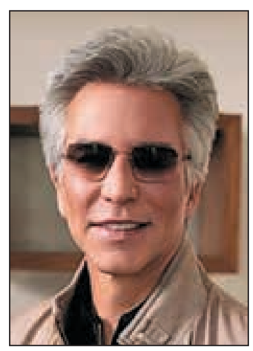
Douglas Conant is the only former Fortune 500 CEO who is a *New York Times* and *Wall Street Journal* Best Selling Author, has been a Top 50 Leadership Innovator, a Top 15 Leadership Guru, a Top 100 Leadership Speaker, and twice named a Top 100 Most Influential Author in the World. He is the Founder of ConantLeadership, former President of the Nabisco Foods Company, former President and CEO of Campbell Soup Company, former Chairman of Avon Products, and has served on over 20 for-profit and not-for-profit boards.



Ray Dalio

**Ray Dalio, Founder, Bridgewater Associates**

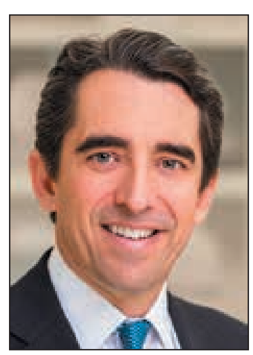
A global macro investor for more than 50 years, Ray Dalio founded Bridgewater Associates out of his two-bedroom apartment in New York City and ran it for most of its 47 years, building it into the largest hedge fund in the world and the fifth most important private company in the U.S. according to *Fortune* magazine. His investment innovations – risk parity, alpha overlay, and All Weather – changed the way global institutions approach investing, and he has received several lifetime achievement awards. Over the decades he has been a valued macroeconomic advisor to many policy-makers around the world. Because of the impact his thinking has had on global macroeconomic policies, he was named by *TIME* magazine as one of the "100 Most Influential People in the World." Today, Dalio remains an investor and mentor at Bridgewater and serves on its board. He is also the #1 *New York Times* bestselling author of *Principles: Life and Work, Principles for Dealing with the Changing World Order*, and *Principles for Navigating Big Debt Crises*. Dalio graduated with a BS degree in finance from C.W. Post College and earned an MBA degree from Harvard Business School. He has been married to his wife, Barbara, for more than 40 years and has three grown sons and five grandchildren. He is an active philanthropist with special interests in ocean exploration and helping to rectify the absence of equal opportunity in education, healthcare, and finance.



Bill McDermott

**Bill McDermott, Chairman and Chief Executive Officer, ServiceNow**

Bill McDermott was named Chairman in 2022 and has served as a member of the Board of ServiceNow since 2019. Previously, he was Chief Executive Officer and a member of the Executive Board of SAP. Before joining SAP, he served in senior executive roles with Siebel Systems and Gartner, Inc. He launched his business career at Xerox Corporation, where he rose to become the company's youngest corporate officer and division president. McDermott got his start as a young entrepreneur running a small delicatessen business on Long Island, New York, at age 17. He received his bachelor's degree from Dowling College and his MBA from the Kellogg School of Management at Northwestern University.



Michael A. Peterson

**Michael A. Peterson, Chairman and Chief Executive Officer, Peter G. Peterson Foundation**

Michael Peterson is the Chairman and Chief Executive Officer of the Peter G. Peterson Foundation, a nonpartisan organization dedicated to addressing America's fiscal challenges and building a stronger economic future. The Foundation engages in grant-making, partnerships and research to educate citizens and policymakers and foster solutions to put America on a sustainable fiscal path. Peterson sets the Foundation's policy direction and strategy, shaping its major programs and initiatives. He is also Chair of the Board of Directors of the Peterson Institute for International Economics, an independent research organization dedicated to strengthening prosperity and human welfare in the global economy. Additionally, he serves on the boards of the Nuclear Threat Initiative and the Partnership for New York City, and is a member of the Council on Foreign Relations, the Economic Club of New York, and Business Executives for National Security. Peterson graduated magna cum laude and with Honors from Brown University, where he was awarded the Taubman Prize for his thesis. He received his master's degree from the London School of Economics.

*David M. Rubenstein*

**David M. Rubenstein,**
**Co-Founder and Co-Chairman, Carlyle**

David Rubenstein is Co-Founder and Co-Chairman of the Board of Carlyle. Previously, he served as Co-Chief Executive Officer of Carlyle. Prior to forming Carlyle in 1987, Rubenstein practiced law in Washington, DC with Shaw, Pittman, Potts & Trowbridge LLP (now Pillsbury Winthrop Shaw Pittman LLP). From 1977 to 1981, he was Deputy Assistant to the President for Domestic Policy. From 1975 to 1976, he served as Chief Counsel to the U.S. Senate Judiciary Committee's Subcommittee on Constitutional Amendments. From 1973 to 1975, Rubenstein practiced law in New York with Paul, Weiss, Rifkind, Wharton & Garrison LLP. Among other philanthropic endeavors, Rubenstein is Chairman of the Boards of the Council on Foreign Relations, the National Gallery of Art, the Economic Club of Washington, and the University of Chicago; a Trustee of Memorial Sloan-Kettering Cancer Center, the Institute for Advanced Study, the Brookings Institution, and the World Economic Forum; an Emeritus Trustee of Johns Hopkins Medicine; and a Director of Moderna, Inc. and the American Academy of Arts and Sciences. Rubenstein is a member of the American Philosophical Society, Business Council, Harvard Global Advisory Council, Madison Council of the Library of Congress, Board of Dean's Advisors of the Business School at Harvard, Advisory Board of the School of Economics and Management at Tsinghua University, and Board of the World Economic Forum Global Shapers Community. Rubenstein is a magna cum laude graduate of Duke University, where he was elected Phi Beta Kappa. Following Duke, he graduated from the University of Chicago Law School, where he was an editor of the Law Review.

**How concerned are you about the national debt right now, and how concerned are you about the debt trajectory in the future?**

***Catell***: Concerns about national debt often revolve around its potential impact on economic stability, inflation, interest rates, and fiscal policy. High levels of debt can lead to increased interest payments, which may crowd out other government spending on essential services like education and healthcare. Additionally, there are worries that excessive debt could reduce economic growth and lead to higher taxes or reduced government services in the future. Monitoring debt levels and ensuring sustainable fiscal policies are crucial for maintaining economic health and public confidence. The future trajectory of the U.S. national debt is projected to continue rising significantly, leading to higher debt levels relative to the size of the economy and having negative economic consequences. The Congressional Budget Office (CBO) projects federal debt to reach about 118% of GDP by 2035 and continue increasing beyond that. This escalating debt trajectory is driven by sustained imbalances between spending (particularly on healthcare, Social Security, and interest costs) and revenues, along with demographic trends such as an aging population. Under some alternative scenarios with extended tax cuts and added spending, debt could surge even further, potentially reaching 220% of GDP by 2055. The economic effects of continued debt growth include slower GDP growth. High debt crowds out private investment by absorbing capital in government borrowing, reducing investment. Additionally, job losses of millions are forecast due to these effects on the economy and labor market.

Unless significant fiscal policy changes occur, the U.S. national debt will keep rising sharply relative to GDP through mid-century and beyond, imposing substantial long-term economic costs and risks to fiscal sustainability.

***Conant***: The soaring national debt is very concerning and, despite promises to the contrary, the administration's initial attempts to reduce the cost of government and raise revenue through tariffs do not promise to materially address the issue. Also, as documented, confidence in the administration continues to wane, and it is hard to imagine that future actions proposed by the administration will receive the necessary support.

***Dalio***: I am very concerned about the debt - so much so that I wrote a book about it, *How Countries Go Broke: the Big Cycle,* to explain the mechanics and the prospects of it. In brief, when debt and debt service build up, they can squeeze out spending, and when there are big government deficits there have to be big sales of debt - more than there is enough demand to buy - so interest rates rise and a debt squeeze ensues hurting the economy and markets which typically leads to the central bank printing a lot of money so a stagflation typically ensues. When the debt and debt service become too large to service under normal conditions and central banks are losing money on the debt they bought, they have to borrow and get deeper into debt to pay their debt, so the debt and debt monetization spiral accelerates. We are very close to that happening – probably about three years.

***McDermott***: Fiscal discipline is vital – but the real solution is growth. When borrowed funds fuel innovation and productivity, growth can outpace debt. What matters is not the size of our debt, but our debt-to-GDP ratio. Our path to prosperity is clear: invest in expanding our economy so that our obligations shrink in comparison to what we produce. When debt finances breakthroughs, it becomes a catalyst for productivity, innovation, and long-term economic expansion. But if it doesn't, rising interest costs can squeeze the pockets of hard-working Americans – reducing job opportunities, raising mortgage rates, and eroding government services. It is our collective responsibility to keep the American Dream alive. As Colin Powell said: "A dream doesn't become reality through magic; it takes sweat, determination, and hard work." Today, that means working together so the United States becomes a global leader in artificial intelligence. AI has become the greatest battle for civilization of this century. It is also the gateway to prosperity and the requirement for survival. By 2030, it is projected to deliver $22 trillion in global economic growth while eliminating $4 trillion in operating costs. The only question is: how big will America's share of that opportunity be? That's why I support government investment to position the U.S. as a leader in AI – accelerating the development of AI skills with a focus on over-innovation, not over-regulation. Optimism is the only free stimulus – and America has every reason to merit it. Our formula is simple: net new innovation. Regardless of political shifts, when we keep pushing the boundaries on what's possible, economic expansion will follow.

***Peterson***: America is on a damaging and unsustainable fiscal path, yet our leaders continue to ignore the clear threat to our economy. Our national debt just soared past $37 trillion. As a share of the economy, our debt is approaching its all-time high, set just after World War II. Worse yet, unless we change course, a structural mismatch between revenue and spending will push deficits even higher in the coming years. Demographics, high healthcare costs, and compounding interest are the core drivers, and they are all increasing our deficits on autopilot. This growing debt represents a major threat to our budget and economy. We already spend more on interest on the debt than on national defense. The trust funds for Social Security and Medicare will be depleted in just 8 years, which would mean automatic benefit cuts for millions of Americans. And all of this debt burdens our ability to invest and grow the economy in a highly competitive world. We need strong leadership to address this basic challenge of governance. America's success has always been based on building a brighter future for the next generation. The good news is that there are many budget reform solutions right in front of us.

***Rubenstein***: I have been quite concerned about the level of U.S. government debt for decades - but to no effect. When I left the U.S. government in early 1981, the total Federal indebtedness was under $1 trillion. Today the debt exceeds $37 trillion, and the annual interest payments on the debt now exceeds $1 trillion annually. These payments now exceed the defense budget, a trend that has historically posed an existential threat to other global powers whose debt obligations eventually surpassed their defense spending.

Since 1981, a combination of excessive tax cuts, increased spending on and care of other entitlements, COVID-related costs, and multiple wars has added so much debt to the nation's balance sheet that it now seems likely the only way to pay it off in time (and to service it for the foreseeable future) is to effectively devalue the dollar – leaving future generations to pay off the debt and interest in devalued dollars. That view reflects conventional wisdom – but it has been wrong for decades. Bond markets have flourished. The U.S. economy has thrived. And the sky-is-falling-soon predictions have failed to materialize. Does this mean that I should be less concerned about the burgeoning debt? And were those who have downplayed debt levels right to focus on other issues? I think not. I continue to believe the debt is out of control and getting worse – at potentially unsustainable levels. But I have been wrong about the impact of the debt phenomenon over the past few decades – and I could be wrong again. But I guess I remember too well the words of Herbert Stein, once the Chair of the Council of Economic Advisors under President Nixon: "If something cannot go on forever, it will stop." I just do not know when that moment will arrive.

**Moody's recently downgraded the U.S. credit rating, becoming the third ratings agency to do so. What risks does the national debt present to key economic indicators like inflation and interest rates, and why are financial markets watching so closely?**

***Catell***: The projected growth of federal debt is expected to have several negative impacts on GDP growth in the coming decades. As federal debt rises, the government competes with the private sector for capital. This can lead to higher interest rates, which may discourage private investment. With less capital available for businesses, economic growth can stagnate.

As debt accumulates, more federal resources will be allocated to interest payments. This can lead to cuts in critical areas like infrastructure, education, and healthcare, which are essential for long-term economic growth. Reduced spending in these areas could stifle innovation and productivity improvements. As debt grows, investors may begin to question the government's ability to manage it sustainably, potentially leading to higher borrowing costs or a loss of confidence in U.S. debt. Such scenarios can trigger economic instability and decreased growth. In summary, the trajectory of federal debt growth is expected to negatively impact GDP growth by crowding our private investment, increasing fiscal pressures, and creating sustainability risks, ultimately leading to slower economic performance over the coming decades.

***Conant***: While inflation has moderated from its "COVID-driven" high, it is still above the target rate of the Fed with the threat of the U.S. tariff profile potentially driving it higher. Also, despite administration comments to the contrary, there is a serious threat of an economic slowdown resulting from the full impact of the administration's policies. Overall, the Fed faces a very challenging balancing act.

***Dalio***: The risks are much higher than are conveyed in the debt ratings. That is because rating agencies rate debt on the risk of debt default, yet countries that have their debt denominated in their own currencies can freely print money so they have a much lower risk of default than they have a risk of printing a lot of money and devaluating money. Said differently, the risks are much higher than are conveyed in the ratings because the most likely scenario includes the devaluation of money as well as the default risk scenario. The big question over the next ten years is going to be what money will be a good store-hold of wealth as well as a good medium of exchange.

***McDermott***: It's normal that financial markets watch the biggest economy in the world closely. The stakes are high because U.S. Treasuries serve as the backbone of the global financial system. Regardless of the party in charge, as long as we lead in innovation, I trust in the U.S.'s ability to meet its obligations. When it comes to key economic indicators like inflation, technology truly acts as the ultimate deflationary force. It boosts productivity and fuels growth through constant innovation. The emergence of agentic AI supercharges the outcomes of traditional tech. Since 2022, productivity growth in the most AI-exposed industries, such as financial services and software, has quadrupled. These sectors now enjoy three times higher revenue-per-employee growth than less AI-exposed ones. Meanwhile, productivity actually declined in industries least exposed to AI, like mining and hospitality. That's why I'm more concerned about tech debt. U.S. organizations lose $2.4 trillion a year to it – more than double what the federal government pays in annual interest on the national debt. This hidden crisis comes with immediate consequences: siloed systems sap efficiency, dragging down performance daily. In that sense, proven architectures that strike the right balance between openness and governance are essential for America to maintain its competitiveness. Only by fostering nimble yet secure innovation can we ensure our leadership in the intelligence revolution, which will drive the necessary growth to confidently pay our debt.

***Peterson***: The financial markets are watching our elected leaders – and our elected leaders should be watching the financial markets – to begin to grasp the damage and risk they are steering us toward. Moody's downgrade is a flashing red warning sign that they must reverse course on our accelerating national debt. As interest costs eclipse $2 billion per day and Washington's response in the recent budget reconciliation is to add trillions more in debt, no wonder the experts are wondering if all this debt will get repaid. As the government borrows trillion after trillion, it puts upward pressure on interest rates, which increases the compounding within the federal budget. Interest costs are now the fastest growing federal "program," which means we are effectively investing more in our past than in our future - not a good long-term economic strategy. The enormous borrowing and higher rates also add costs for everyone and reduces private sector investment, lowering incomes and job growth. The U.S. has the strongest economy in the world, but our leaders put it in jeopardy when we borrow excessively for current consumption, year after year, in good times and bad. America must get its fiscal house in order soon to maintain its position as a global beacon of financial and economic success.

***Rubenstein***: The recent downgrade to the U.S. credit rating may well have the same impact of the previous two downgrades - very little. Stated differently, the three downgrades were really a shot across the bow – a wake-up call meant to remind markets that the U.S. can be somewhat cavalier in the way it handles its debt obligations, at times playing with fire by flirting with the debt limit or running large annual budget deficits (which just add to the overall debt). In reality, the U.S. debt market is still the barometer for global sovereign and corporate debt markets, and the downgrades have not meaningfully (or even modestly) affected the ability of the U.S. government to sell its debt at reasonable interest levels. Over time that may change. And the biggest change is likely to occur – and it has already started – in the value of the dollar. The U.S. has been the world's primary reserve currency since at least World War II. That means others around the world need to own dollars – the dollar may not be as good as gold, but it is better than most of the alternatives (especially for those with large sums seeking safe debt instruments). But the dollar's decline in value this year may be an early indicator that at some point in the future it may not be the indispensable currency to own or in which one can safely park assets. To the extent that the dollar loses its universal appeal, the consequences for the U.S. economy could be significant. Interest rates, inflation, unemployment, and growth could begin to move inexorably in directions the U.S. would neither like nor be able to easily reverse. I hope that this scenario does not occur, but the warning signs of potential trouble in U.S. markets are too apparent to dismiss out of hand. ●