

Guarding the American Dream

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

EDITORS' NOTE As Co-Founder and Chairman Emeritus of The Blackstone Group, Peter Peterson now dedicates his time to his foundation and other charitable activities. Before starting Blackstone, he was Chairman and CEO of Lehman Brothers and later held the same posts at Lehman Brothers Kuhn Loeb Inc. He chaired the Federal Reserve Bank of New York from 2000 to 2004. Peterson spent part of his earlier career in government service 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. He also assumed the chairmanship of Nixon's National Commission on Productivity and was appointed U.S. Chairman of the U.S.-Soviet Commercial Commission.



Peter Peterson

Peterson is also Chairman Emeritus of the Council on Foreign Relations, founding Chairman of the Peterson Institute for International Economics in Washington, D.C., and founding President of The Concord Coalition. He also co-chaired the Conference Board Commission on Public Trust and Private Enterprise. He is the author of five books, including the best-selling *Running on Empty: How the Democratic and Republican Parties are Bankrupting Our Future and What Americans Can Do About It*.

ORGANIZATION BRIEF The Peter G. Peterson Foundation (www.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. In addition to spearheading public awareness campaigns and citizen engagement efforts, PGPF dedicates significant financial resources to a variety of partner organizations seeking to address and accelerate action on these key issues.

The foundation has been a leader focused around fiscal responsibility and the need to address long-term structural deficits. In Washington today, is there an effective dialogue on what really needs to be addressed or is there too much of a focus on the short term?

The policy community is very aware that our nation's long-term debt is unsustainable. In that sense, progress has been made on understanding the problem and accepting the fact that it is unsustainable.

Are you optimistic we can overcome bipartisanship?

I'm not going to deny that it's very difficult politically.

There is no solution to this problem that does not require shared sacrifice in terms of reductions in benefits and revenue increases. Of course, we need to do this in a compassionate way that preserves social safety nets for the more vulnerable.

The major issue, therefore, is not just what specific reforms would resolve the issue, but achieving the political will to tackle the problem.

To affect real change, does it need to be addressed through spending cuts, new taxes, health care cost containment, or in all of these areas?

On the subject of spending cuts versus revenue increases, we have done some analysis of what it would take if you wanted to solve this problem only with spending cuts or only with revenue increases. The requirements would be so draconian that it's hard to imagine doing it with only one or the other.

In order to solve our fiscal challenges, we need to put everything on the table: not just revenue increases and reductions in spending, but also entitlements and defense, where we spend more than the next 14 countries combined. We need to find a way to protect and preserve entitlement programs, especially for the more vulnerable. We need to look at so-called tax expenditures, where we spend \$1.1 trillion per year – including things like mortgage interest deduction on houses up to \$1 million. We also need to look at our health care costs, where we spend double the amount of some countries with no better outcomes. The President's National Commission took many of these issues on directly.

Obviously, discretionary spending will have to be included, but frankly, one of the games we play in Washington is to focus on things like foreign aid and the Corporation for Public Broadcasting. You total them up and they are a very small part of the problem.

We asked the Peterson Institute for International Economics to do a major projection of what debts will look like in the future and what the interest costs would be. Twenty-five years from today, their projection is that interest costs will be 13.1 percent of Gross Domestic Product. That's

three times what we now invest federally in education, R&D, and infrastructure.

These interest costs buy us nothing. They crowd out investments and they are the antithesis of what we're talking about when we say we must become an investment economy.

So if we want to have a better future, we have to honestly confront the question of where we get the resources to invest in that future. Up until now, we haven't done enough to engage in a national discussion in that regard.

How do you get the message across to the public about the issue of interest costs in a way they understand?

We ran some advertisements, which were quite effective. We presented a fictional Presidential candidate named Hugh Jidette, who differentiated himself from other candidates by always telling the truth.

We are working now with some youth groups and we'll conduct some programs to educate them, because it's their future. They also tend to be politically far less active than I would hope.

I have often had a dream that someone could set up an American Association of Young People with the goal of getting them to understand the issue and also do something about it. If it were handled properly, they could bring their parents along and confront them with what is ultimately a moral issue. Do we want to slip our own kids a hidden bill of this magnitude that greatly reduces their odds for a successful future? A lot of parents would say that is, bottom line, immoral.

Do you enjoy the work or is it hard sometimes to enjoy it when you're dealing with these issues?

I'm the son of Greek immigrants who came here at the age of 17 with hardly a penny in their pockets and third-grade educations. They moved to the middle of Nebraska and opened a Greek restaurant, which was open 24 hours a day for 25 years without ever closing.

I'm the beneficiary of the American Dream. The current path we're on is ultimately a transcendent threat to that American Dream.

I was lucky enough to have a financial windfall when the company I co-founded went public. I have more than enough and I owe an immense amount to this marvelous country, and I'm deeply concerned about where it's headed.

So what better way to spend the rest of my life and my money than on a cause I feel passionate about? ●