

Addressing The Key Fiscal Challenges Threatening America's Future

An Interview with Michael A. Peterson, Chairman and Chief Executive Officer, Peter G. Peterson Foundation

EDITORS' NOTE *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.*



Michael A. Peterson

FOUNDATION BRIEF *The Peter G. Peterson Foundation (pgpf.org) is a nonprofit, nonpartisan organization that is dedicated to increasing public awareness of the nature and urgency of key fiscal challenges threatening America's future, and to accelerating action on them. To address these challenges successfully, the Foundation works 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.*

Will you highlight the history of the Peter G. Peterson Foundation and how you define its mission?

My father established the Foundation because he cared deeply about our country. He was fortunate to live the American Dream, and was concerned that the same opportunities were not going to be available to the next generation. He had been writing and speaking out about America's growing national debt and the threat it poses to our economy for many years. After retiring from a long career in business and

government, he dedicated the vast majority of his resources to the Foundation. I joined him in launching the foundation in 2008 and have been running it as CEO since 2015.

Our mission is to increase awareness about our nation's fiscal challenges and bring people together to address them. We are nonpartisan because this issue transcends politics, and real solutions will require both parties to join hands. Given the huge role that healthcare plays in our budget and economy, we also have a

Center dedicated to helping the delivery system achieve better health outcomes at lower cost. We have also recently started working on initiatives to support a better-functioning democracy, which we will need to solve any of our problems. In addition to the Foundation, we have a 501(c)4 called Peterson Solutions Fund that supports these same core missions.

Will you provide an overview of the work of the Foundation and its programs?

In the policy area, we work with top research organizations across the political spectrum to develop and build support for more sensible budgets. One of our signature

projects is the Solutions Initiative, which brings together seven ideologically diverse think tanks to present their own plans for long-term fiscal sustainability. What I like about this project is that they all agree the problem needs to be solved now, and they all solve it. It showcases the good news: that there is a broad range of viable policy options to choose from.

In terms of building awareness, we publish a range of content and information to help policymakers, the media and citizens better understand these issues. For example, we run an annual fiscal education program on hundreds of college campuses called "Up to Us" – we think it's critical to get young people more aware and involved because most of them don't really understand that all these deficits are just passing the bills to their generation, plus interest.

On the healthcare side, one of our core areas is improving access to healthcare data. A key challenge is that we don't exactly know where all the waste and inefficiency is, so government entities and providers need better access to data and information in order to improve. We work closely with state governments on their data and ways to build more sustainable healthcare plans. Most recently, we established a new Institute that evaluates digital health technologies.

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Technology has a key role to play in improving performance, and this new organization will give purchasers evidence about which innovations work, and which don't.

How critical is it to have metrics to measure the impact of the Foundation's work?

When you are trying to tackle enormous problems like the \$34 trillion national debt or our \$4 trillion healthcare sector, you need to focus on projects that have high impact. So in every one of our grants, we develop a “theory of change” which explicitly lays out the goals and objectives, along with a range of metrics that we track. Some metrics are simple and accurate, like number of clicks on a research report, and others are more diffuse, like national polling about fiscal confidence, which we do every month. Having come from the business world, I spent my career making decisions using financial and operating data, so I value metrics when developing and evaluating strategies.

What do you feel are the keys to effective philanthropy?

Philanthropy comes in all shapes and sizes. Some foundations focus on simply finding the right organizations to support on particular issues. They essentially see themselves as funders for work that is determined and executed by others, so they spend their time reviewing and evaluating the capabilities of other organizations. We do some of that, but most of our work is developed “in house.” The unfortunate reality is there aren't many organizations out there focused on fiscal responsibility or healthcare efficiency – that's part of the reason why we are. But it also means that we need to take ownership of project development, and proactively come up with ideas and initiatives. For us, a culture of innovative thinking and opportunistic risk-taking is really important. The first step is coming up with the projects, and then we either execute them ourselves or find partners to help get the work done. Regardless

of whether you are doing the work internally or with others, the key is to have a clear and compelling strategic vision, and a realistic and measurable plan for execution.

Do you approach your philanthropic work with a similar mindset to how you addressed your business efforts?

Most definitely – I run the Foundation very similarly to how I ran my businesses. In the business world you take investment dollars and expend them on capital projects and operations under a business plan to achieve a profit return. As a foundation, we take philanthropic dollars and expend them on grants and initiatives under a theory of change to achieve impact. Business principles are useful because they impose a discipline around being responsible and accountable with your dollars to achieve goals. To me, there is no reason why a charity should be any less focused on performance – it's just that, rather than making money, the goal is to have greater impact on your mission to help others.

You serve as chair of the Peterson Institute for International Economics. What is the Institute's mission and focus?

Yes, there is yet another Peterson entity – my father always joked about his “creativity” (or lack thereof) in coming up with names for organizations.

The Peterson Institute for International Economics (PIIE) was founded in 1981 by my father and Fred Bergsten. They had worked together on international trade in the Nixon administration. Believe it or not, at that time there was no research organization focused on international economics. They saw this as a serious hole in policy research, so they set out to build a high-quality, nonpartisan think tank focused on these issues.

Fast forward 40-plus years and PIIE has become a five-time winner of the best economic think tank in the world. The Institute has a

team of more than 50 top economic researchers committed to elevating the understanding of the most urgent issues confronting the global economy. Our research agenda spans trade, investment, finance, crisis response, and macro-economics. As the world faces many complex and interconnected global challenges, the Institute's mission is more important than ever. I did not have much to do with building PIIE, but I am honored to help guide the organization in these critical times.

Your father, Pete Peterson, spent his career in leadership roles in business, government, and philanthropy. What role did his experience have in your career journey?

When you have a dad like Pete Peterson, it's probably not a great idea to spend a lot of time comparing your careers. But I will say that I was always very inspired by him, and in particular how he was able to achieve great success in both finance as well as public service.

In my own way, I have tried to learn from his experiences to make my own choices. My degrees were in public policy and economics – I loved learning about how people make economic decisions, and the rules that can have a profound impact on human lives. I understood how critical finance was to the economy and decided to start my career as an investment banking analyst at Donaldson, Lufkin & Jenrette. I didn't sleep much, but I learned a ton about how businesses work and how capital should be deployed. Four years later, I left to work for one of my clients, which was a large telecommunications business, eventually becoming a CFO and COO. This experience taught me much more about management and operations, at a deeper level than Wall Street can. I then had an itching to build my own thing, so I partnered with a member of our management team to start a new telecommunications business from scratch using new IP technology, which made it much easier and faster.

That business was underway and growing when my dad called and asked me to help him start the Foundation. It was hard because I was really enjoying and committed to what I was doing. In the end, however, it was an easy choice. I had always hoped to get back into public policy and economics, and our country was rapidly heading in the wrong direction. My dad was 82 at the time, and he needed a hand. This mission was simply much more important than a new business, so I gradually exited my company to join him full time.

How special was it to have the opportunity to work side-by-side with your father?

I will always cherish working side-by-side with him for ten years, until his passing in 2018. Sometimes fathers and sons can have complicated relationships, but we did not. We both bent over backwards to support each other and be generous and thoughtful partners together. And it was philanthropy, so it wasn't about us or our individual needs – it was about helping the country. It was truly a pleasure to see him in action, and it's a privilege to be able to continue his legacy. ●