



*April/May 2017*

*www.mrcbg.org*

**LAWRENCE H. SUMMERS ON WHY SCRAPPING NAFTA  
 WOULD BE TRUMP'S BIG GIFT TO CHINA**



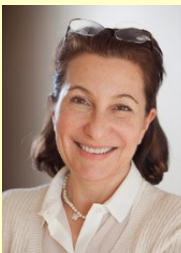
I was in Mexico [in March] seeing the Mexican president, foreign minister and finance minister and addressing a convention of bankers. The only subjects anyone is interested in is the future of NAFTA and U.S. Mexican relations. I came to Mexico from Beijing, and so I was able to report that there was no greater strategic gift the United States could give China than to abrogate NAFTA and rupture the North American community.

In narrow commercial terms right now, Mexican goods enter the United States on a preferred basis relative to Asian goods. This preference would disappear with NAFTA suspension. Furthermore about 70 percent of Mexican exports are of goods that are not finished but are inputs to further U.S. production. Anything that hurts Mexico therefore hurts us in global economic competition with China.

There is a further, even more important, strategic dimension. As illustrated by the more than \$60 billion China has poured into Hugo Chávez's Venezuela, China would regard opportunities to ally with a hard-left anti-American government as strategic windfalls. What better than a country of 130 million people with a 2,000 mile border with the United States? Every Mexican with whom I spoke said that the risk of Mexico electing a Chávez-like government had gone way up in recent months on account of American disrespect and truculence.

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**LINDA BILMES ON TRUMP'S PROPOSED DEFENSE SPLURGE**



[In March], President Trump began to confront the reality of transforming his campaign slogans into actual policies that must be passed by Congress and paid for. It is no accident that he delivered his address at an odd time in the political calendar – months before he unveils his actual budget details in May. But based on the early evidence, we can already see huge flaws in the president's budgetary arithmetic.

The centerpiece of Trump's proposals is a \$54 billion bump in military spending. This is the amount that the Pentagon budget has allegedly lost due to budget caps Congress put in place back in 2011. But the Pentagon has bypassed those restrictions through a parallel budget called "Overseas Contingency Operations" (OCO). This fund, originally established to pay for post-9/11 war spending, has morphed into a slush fund. More than \$400 billion in extra OCO money has been funneled to the military since 2011, much of it with little or no direct relationship to the wars. If you add OCO spending to the regular defense budget, the military is already funded at close to its highest level since World War II.

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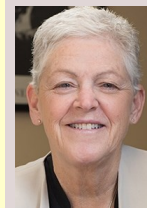
**Seminars & Events**

M-RCBG has over 80 seminars and events scheduled each semester. Below are a few of the upcoming events. For a complete listing, visit [www.mrcbg.org](http://www.mrcbg.org).



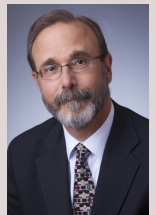
*Presidential Elections and Political Change.*  
**Roger Lowenstein,**  
**author and**  
**reporter.** Bell,  
 Apr. 6. 11:45am-1pm.

*Cost-Benefit Analysis and Environmental Regulation in the New Era.* **Richard Revesz,** NYU. Bell, Apr. 13. 11:45am-1pm.



*Reflections on Environmental Policy.*  
**Gina McCarthy,**  
 EPA. Bell, Apr. 20.  
 11:45am-1pm.

*Sustaining Capitalism: Bipartisan Solutions to Restore Trust & Prosperity.* **Joe Minarik,** Committee for Economic Development. Bell, April 27. 11:45am-1pm.



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*Summers continued from pg. 1.*

China apart, NAFTA strengthens the U.S. economy. U.S. tariffs without NAFTA would average less than 3 percent, so repeal would not greatly reduce protection. Indeed by undermining the peso, U.S. challenges to NAFTA have led to an effective 10 to 15 percent subsidy on all Mexican goods. There is the further point that the United States competes more effectively globally with access to low-cost Mexican inputs. More than two-thirds of our imports from Mexico are inputs to further U.S. processing.

There is a silver lining in all the fuss over NAFTA – it needs updating. Digital trade didn't exist in 1993. Thinking has shifted on the need to assure that trade agreements are in worker interests. This means more emphasis on labor standards and more need to ensure that dispute settlement systems do not overly empower corporate interests. Most important, with more competition from Asia and with the increased sophistication of the Mexican economy, there is a strong case for strengthened rules of origin that enhance North American manufacturing.

Changes along these lines may have an “America first” aspect but they are also in Mexico’s interest. They are the right way forward. It is also essential that the United States and Mexico find a way forward on immigration. A wall is a 19th-century response to a 21st-century concern. I'm told that most illegal immigration does not take place through people crossing open borders in the desert – the only thing a wall could address. Rather it takes place through illegal entry at legal checkpoints as people are smuggled in in freight containers and the like. This will be unaffected by a wall. Technology, data science, enhanced collaboration, and cooperation with respect to Central America are much better ways to resist illegal immigration flows. They are also much more likely to strengthen our alliance with our most populous neighbor.

### *Call for submissions: John Dunlop Thesis Prize*

The John Dunlop Thesis Prize in Business and Government is an annual award for Harvard undergraduates. The award is given to the Harvard College graduating senior who writes the best thesis on a challenging public policy issue at the interface of business and government. A \$1000 prize will be provided to the winning entry. The application deadline for the 2016-17 academic year is May 5, 2017 at noon. Please bring a hard copy of your thesis, readers' comments, CV, and this application form to Susan Gill, Belfer 501, HKS.

Visit <https://www.hks.harvard.edu/centers/mrcbg/students/dunlop2> for additional information.

*Bilmes continued from pg. 1.*

Nevertheless, do not expect to hear cheers for Trump’s proposal from diehard defense hawks in Congress. From their perspective, \$54 billion is a rise of “only” 9.4 percent – well below the double-digit increases that occurred during the 1980s under President Ronald Reagan. They also worry that OMB director Mick Mulvaney – a longtime critic of the OCO fund – will quietly shift money from OCO into the base budget and call it an “increase” in defense spending.

Lost in this discussion is any attention to the massive waste and inefficiency at the Defense Department, which has flunked its financial audit every year since 1990. Last year, the Pentagon’s own Defense Business Board, a federal advisory panel of corporate executives, identified \$125 billion in waste in the department’s overhead and business operations. But rather than slogging through the tough job of cutting overpriced contracts and reining in runaway IT spending, the President’s first instinct is simply to throw more money at the problem.

US military readiness is fundamentally sound, according to retired General David Petraeus and Michael O’Hanlon. Raising the defense budget without tackling the waste at the Pentagon is like fattening up the alligators in the swamp. It won’t help our troops cope with long deployments and endless wars, but it will further line the pockets of out-of-control military contractors.

To read Bilmes’ full op-ed from *The Boston Globe*, visit [mrcbg.org](http://mrcbg.org) and click on News.



*Pictured above are HKS alumni of Linda Bilmes’ Greater Boston field lab who successfully launched the first ever \$2 million mini-bond issue in Cambridge in February 2017. Left to right: Michelle Monsegur, MPP’14, Pitichoke Daniel Chulapamornsri, MPP’16, Susan Kendall, MPA’99, Linda J. Bilmes, Leland Cheung, MPA’09. This disruptive innovation in the municipal bond market is enabling residents to purchase top-rated municipal bonds in small denominations to support capital improvements.*

### *Call for submissions: HEEP Student Paper Prize*

The Harvard Environmental Economics Program will award three prizes in May, 2017 for the best research papers addressing topics in environmental, energy, and natural-resource economics:

Enel Endowment Prize for best undergraduate paper or senior thesis: \$1,000

Mossavar-Rahmani Center Prize for best masters student paper: \$1,500

Ana Aguado\* Prize for the best paper by a doctoral student: \$2,000

The deadline for submissions is Wednesday, May 3 at 4pm. Learn more at <http://heep.hks.harvard.edu/>

### *HKS and SSP alum lands Gates Foundation grants*



Livio Valenti, (HKS MPP '13, Empedocle Maffia Fellow, '13, SSP Research Fellow, '14, '15) is the Co-Founder and Vice President of Policy and Strategy of Vaxess Technologies, which has received two grants from the Bill & Melinda Gates Foundation to advance the development of inactivated polio (IPV) and live attenuated measles rubella (MR) vaccines using the company's MIMIX™ sustained-release microneedle patch platform.

"Vaxess has teamed up with the Bill & Melinda Gates Foundation to develop an innovative technology that will contribute to eradication of polio and prevention of measles and rubella by increasing vaccine access," said Valenti. "Products developed with our MIMIX™ sustained-release vaccine delivery system will have increased product efficacy and will not require refrigeration, facilitating vaccination in resource-poor settings."

The first grant from the Gates Foundation of roughly \$3 million represents Phase I of a multi-stage Grand Challenges grant to support the development of Vaxess's innovative technologies for the manufacture of microneedle patch vaccines. In this phase, the grant will support Vaxess's preclinical development and manufacture of a thermostable IPV microneedle patch with the aim of lowering barriers to vaccine access by simplifying dosing and administration, alleviating cold chain constraints, and lowering costs.

The second grant of roughly \$3 million will support the preclinical development of a resorbable microneedle patch for delivery of live attenuated MR vaccine. Under the grant objectives, Vaxess will develop a thermostable MR vaccine formulation, fabricate microneedle patches incorporating the stable formulation, and establish preclinical proof-of-concept in appropriate animal models to support clinical trials in a later stage of development.

### *Global Food + Research Symposium highlights nexus of food, agriculture, health, society and environment*

The Global FOOD+ Research Symposium, held on February 24, featured an afternoon of "speed talk" presentations by two dozen top scholars in the Boston area to focus on the challenges of feeding the global population. The event was organized by M-RCBG faculty affiliates **Bill Clark** and Rob Paarlberg, with colleagues from other local universities, through a grant to the Sustainability Science Program by the Weatherhead Center for International Affairs at Harvard.

The unusual open event was designed to showcase junior and senior scholars in the Boston area who conduct research on issues linked to food and farming, both in the United States and globally. With no more than 7 minutes each, the presenters highlighted their most recent, important, and interesting research findings on topics including cropland productivity and climate change, childhood obesity, GMOs, food waste, the American Farm Bill, economic values, the environmental consequences of meat consumption, rural poverty in Africa and food security around the world. Demonstrating what roles non-land-grant colleges play on global food issues, they represented a wide range of disciplines including anthropology, economics, political science, history, sociology, engineering, biology, and environmental sciences.

### *Harvard Project receives award from Harvard University Climate Fund for second year*

The Harvard Project on Climate Agreements—a HEEP initiative—received a grant in March 2017 from the Harvard University Climate Change Solutions Fund for the second year in a row, along with six other programs and projects at Harvard University. The awardees are profiled in an article in the *Harvard Gazette*. The announcement was also covered in *Boston Magazine* and *Harvard Magazine*.

The Harvard Project's initiative aims to explore the efficacy of diverse policies intended to reduce emissions in line with the Paris Agreement, with the goal of developing research and briefs that will inform the 23rd annual United Nations Framework Convention on Climate Change meeting of the parties in November, 2017. The initiative will focus on aspects of the Paris Agreement relevant to market mechanisms, which include greenhouse-gas emissions-trading systems and carbon taxes. These policy approaches can be a more cost-effective way to reduce emissions than regulations that impose a uniform performance standard or technology requirements.



*M-RCBG 2016 summer funding recipient:  
Peter Willis, City of Boston*



I spent my summer working at the City of Boston, in its Citywide Analytics Team, which is part of the Department of Innovation and Technology. Their mission is to improve the quality of life and enhance City of Boston operations and is especially focused on using data science and visualization to achieve this aim, as well as performance and process management. Working with the team was a perfect way to get exposure to many of these innovations, especially digital service delivery and big data analytics. My first task was related to the issue of sex trafficking in Boston, defined as the commercial sexual exploitation of men and women. There is a special unit in the Boston Police Department that leads the City's effort on the issue. My role was to support the unit in the Boston Police by quantifying the scale of the problem. There are no easy or obvious sources of data on sex trafficking. To gather data my colleagues in the Citywide Analytics Team and I employed web scraping techniques – using a computer script to count ads on online classifieds sites – to estimate supply. To understand demand for paid sex in the Boston area we used proxies like the number of Google searches for keywords. Once we had our data, we visualized it in a dashboard that the Mayor and his policy staff can use to track progress on the issue. I also worked on the topic of new resident engagement. This project drew more on the learnings from behavioral insights; we were testing what sort of information would be most interesting to new residents in Boston. I learned that the most powerful way to convince people of the importance of data and technology in government is to show them what it can do. This means working hard to deliver dashboards, analysis and evidence that are actually useful to staff in their jobs. In a relatively smaller government organization like the City of Boston, data and technology initiatives can gather momentum quickly. I'm very grateful to M-RCBG for its generous financial support so that I could work with the City of Boston over the summer. It was a wonderful experience that has considerably shaped my future plans.

*M-RCBG 2016 summer funding recipient:  
Rahul Srinivasan, UNIDO*



I interned at the United Nations Industrial Development Organization (UNIDO) which is headquartered in Vienna. Ultimately, I decided to spend my summer on strengthening the financial and operational sustainability of UNIDO's renewable energy driven rural electrification program. The Director

of UNIDO-Energy was my internship supervisor and met with me every second week to learn about my experiences and professional development. On a day to day basis, I worked with a very senior (P5 level) UN officer who assigned projects to me. The following sections provide a brief summary of the projects I undertook during my internship at UNIDO, the key lessons I learned, and the recommendations that I proposed for more sustainable implementation of renewable energy driven rural electrification projects. During my internship, I:

- Prepared detailed case studies for 5 renewable projects in Africa and designed a template for case studies that will be used by the UNIDO-Energy group in the future.

- Reviewed an internal UNIDO report on 'Renewable Energy Based Mini-Grids' and offered recommendations on how rural electrification projects in Asia and Africa can be made more sustainable from both a financial and operational standpoint.

- Leveraged private sector experience and interviews with social entrepreneurs to understand motivations of private sector to invest in rural electrification, challenges faced by them, and different public and private sector business models.

- Reviewed and provided comments on three key documents: a progress report for a Tanzanian mini-hydropower project, a proposal for enhancing renewable energy utilization and energy efficiency in Rwanda, and a report on mainstreaming gender balance in UNIDO projects.

- Participated in two Expert Group Meetings (EGM) to interact with national representatives and gain insights on current trends in industrial efficiency, sustainable cities, and transportation.