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**M-RCBG WELCOMES BRIAN DEESE**



Former White House official **Brian Deese** joined M-RCBG last month as a senior fellow. He is a nationally-recognized economic and clean energy expert who has worked at the center of several historic undertakings, from restructuring the American auto industry to driving the U.S.'s successful effort to combat climate change and secure the Paris Climate Agreement. Most recently, Deese served as Senior Advisor to President Barack Obama with responsibility for executing the Obama Administration's energy, climate and conservation strategies, and advising the President on a range of domestic and international issues. Deese played a central role in negotiating the 2015 Paris Climate Agreement and directing the United States's engagement with China, India, and other major economies on climate issues.

Deese also oversaw the Administration's domestic energy and climate policies including investments in clean energy, and land and water conservation. Previously, in his role as Acting Director and Deputy Director of the Office of Management and Budget (OMB), Deese managed the creation of the U.S. Federal Budget and drove reforms to improve the efficacy of government programs and services.

Deese helped lead the White House's work with Congress to craft the first full, bipartisan omnibus Budget in more than twenty years, and was the principal negotiator of the Bipartisan Budget Act of 2015 which replaced sequestration with a more sustainable framework for defense and nondefense discretionary spending. From 2009 to 2013, Deese held a number of roles, including Deputy Director, with the National Economic Council that saw him coordinate policy development on economic issues including financial regulation, housing, energy, and manufacturing.

For additional information on Deese and all of M-RCBG's senior fellows, visit: [www.mrcbg.org](http://www.mrcbg.org), click on Fellows and then Senior Fellows.



Dean Doug Elmendorf (l to r), Prof. Carmen Reinhart, and Prof. Iris Bohnet, were part of M-RCBG's annual Davos Debrief, held on January 26, 2017.

**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).



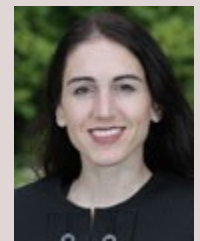
*Competition and Stability in Banking: The Role of Regulation and Competition Policy.* **Xavier Vives, IESE Business School.** Bell, Mar. 2. 11:45am-1pm.

*On the Costs and Benefits of Mandatory Labeling, with Special Reference to Genetically Modified Foods.* **Cass Sunstein, Harvard.** Malkin, Mar. 8. 4:15-5:30pm.



*Which Social Cost of Carbon?* **Matthew Kotchen, Yale.** Bell, Mar. 27. 12-1:30pm.

*Municipal Bankruptcy: Pensioners vs. Bondholders.* **Diane Lourdes Dick, Seattle Univ. School of Law.** Bell, Mar. 30. 11:45am-1pm.



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*M-RCBG Dir. Larry Summers on the delusion that openness has impoverished America*



Trade agreements have been central to U.S. politics for some years. The idea that renegotiating trade agreements will “make America great again” by substantially increasing job creation and economic growth swept Donald Trump into office.

More broadly, the idea that past trade agreements have damaged the American middle class and that the prospective Trans-Pacific Partnership would do further damage is now widely accepted in both major U.S. political parties.

As Daniel Patrick Moynihan once observed, participants in political debate are entitled to their own opinions but not their own facts. The reality is that the impact of trade and globalization on wages is debatable and could be substantial. But the idea that the U.S. trade agreements of the past generation have caused impoverishment to any significant extent is absurd.

There is a debate to be had about the impact of globalization on middle-class wages and inequality. Increased imports have displaced jobs. Companies have been able to drive harder bargains with workers, particularly in unionized sectors, because of the threat they can out-source. The advent of global supply chains has changed production patterns in the United States.

My judgment is that these effects are considerably smaller than the impacts of technological progress. This is based on a variety of economic studies, experience in hypercompetitive Germany and the observation that the proportion of U.S. workers in manufacturing has been steadily declining for 75 years. That said, I acknowledge that global trends and new studies show that the impact of trade on wages is much more pronounced than it was a decade ago.

But an assessment of the impact of trade on wages is very different than an assessment of trade agreements. It is inconceivable that multilateral trade agreements, such as the North American Free Trade Agreement, have had a meaningful impact on U.S. wages and jobs for the simple reason that the U.S. market was almost completely open 40 years ago, before the United States entered into any of the controversial agreements.

To read M-RCBG Director **Larry Summers'** full op-ed in the Washington Post, visit [www.mrcbg.org](http://www.mrcbg.org) and click on News.

*SSP welcomes visiting scholars*

This semester, the Sustainability Science Program (SSP) is hosting visiting scholars Christopher Barrett and Kevin Wheeler.



Chris Barrett is on leave from Cornell University where he is the Deputy Dean and Dean of Academic Affairs of the Cornell SC Johnson College of Business, Stephen B. and Janice G. Ashley Professor of Applied Economics and Management, and an International Professor of Agriculture,

all at the Charles H. Dyson School of Applied Economics and Management. He is also a Professor in the Department of Economics and a Fellow of the David R. Atkinson Center for a Sustainable Future. While at Harvard, he is offering a junior seminar course “Structural Transformation of African Agriculture and Rural Spaces” through the Environmental Science and Public Program at Harvard’s Faculty of Arts and Sciences. His fundamental research objective is to help reduce unnecessary human suffering manifest in ill health, malnutrition, poverty, and vulnerability to disasters.



Kevin Wheeler is a professional engineer and a DPhil candidate in the Environmental Change Institute at the University of Oxford. His current work focuses on international cooperation to manage transboundary rivers and shared water resources in deeply water scarce or insecure

regions. More specifically, he is exploring potential cooperative arrangements between Ethiopia, Sudan, and Egypt on the Eastern Nile. His approach emphasizes multi-stakeholder collaboration and water diplomacy to seek creative yet practical strategies to coordinate reservoirs through risk-based modeling.

For more information, please visit [www.hks.harvard.edu/centers/mrcbg/programs/sustsci/people/research-fellows](http://www.hks.harvard.edu/centers/mrcbg/programs/sustsci/people/research-fellows)

*Zeckhauser releases working paper on 2016 election shock*

**Richard Zeckhauser**, Frank P. Ramsey Professor of Political Economy at HKS has co-authored a recent working paper titled, “Company Stock Reacts to the 2016 Election Shock: Trump, Taxes and Trade.”

To download, visit [mrcbg.org](http://mrcbg.org) and navigate to Publications and Faculty Working Papers.

## *Aldy on The Great Swap: Addressing Climate Change with a Carbon Tax*



Implementation of a carbon tax could begin with an advance rebate check for every American household, Professor **Joseph Aldy** suggested in Monday's energy policy seminar, outlining ways in which a carbon tax might be appealing to many different constituencies. His proposal for a "Great Swap" could deliver a policy sweet spot that combats climate change, facilitates tax reform, and streamlines regulatory burdens that is relevant even in

today's partisan political environment, Aldy said.

While acknowledging that it's "not clear how to start the conversation," Aldy argued that there are reasons why a number of diverse interest groups might be willing to support a carbon tax. The political case for a carbon tax, Aldy explained, can be thought of in terms of two different kinds of possible swaps – a swap of carbon tax revenues for other taxes, and a swap of carbon tax incentives for other regulations. Noting that an upstream tax on the carbon content of fossil fuels would be an administratively simple way to provide uniform incentives for carbon emissions reductions, Aldy focused on an "optimistic" review of the political considerations which might lead diverse interest groups to support such a policy – many of which tie back to the potential for such a tax to collect hundreds of billions of dollars per year, which could be used for rebates and/or tax reductions.

For progressive environmentalists grappling with projections that current regulatory policies will likely not be enough to meet 2025 emission reduction targets, a carbon tax offers an approach that might make such targets attainable, and that, if implemented along with a rebate program, could avoid the regressive economic impacts of some other approaches. At the same time, the idea of "swapping" a regulatory approach that environmentalists are used to working with and that has been effective in some cases may be a disincentive for this group to embrace the idea of a carbon tax, Aldy acknowledged.

For business, a carbon tax could offer increased regulatory certainty, Aldy noted, and might be less burdensome than the existing multi-faceted regulatory approach (assuming part of the "swap" might include reducing regulations). The additional revenues from a carbon tax could be used for tax reforms that might even result in a lower overall tax burden for some businesses. Not every business would benefit, Aldy noted, observing that a carbon tax "won't be a winner for coal."

For labor, Aldy noted three potential benefits: first, another possible use of carbon tax revenues might be to promote payroll tax reductions. At the same time, the carbon tax would benefit the wind industry, which is a source of demand for heavy manufacturing and steel. Finally, a carbon tax might be supplemented by border protection measures to compensate for imports from countries without such a tax.

A thoughtful approach to a carbon tax, Aldy observed, would need to include provisions that would allow it to be updated regularly. Aldy suggested that some of the streamlined approval procedures used by Congress for trade agreements might be useful for carbon tax adjustments, an idea he develops further in his paper, "Designing and Updating a U.S. Carbon Tax in an Uncertain World."

Aldy spoke as part of the Kennedy School's Energy Policy Seminar Series, which is sponsored by the Consortium for Energy Policy Research of the Mossavar-Rahmani Center on Business and Government.

-Louisa Lund

### *Smith announced as Roy Goodman Fellow*

Vincent Smith (MC'08) was recently announced as the 2017 Roy Goodman Fellow at the Mossavar-Rahmani Center for Business and Government. He serves at the highest level (D-2) of the civil service at the United Nations, where he is currently the second-in-command at the UN International Civil Aviation Organization, based in Montreal. A former seminarian and Jesuit, he has traveled and worked for the UN in more than 100 countries, serving with UNDP, UNPK, and UNICEF. He has spent most of his career at the UN in difficult field postings, including Somalia, Sudan, Haiti, Afghanistan and Liberia.

Smith's research project as the Roy Goodman Fellow is focused on improving the efficiency of UN Peacekeeping through better accounting and technical improvements to Peacekeeping budgets. UN Peacekeeping is an increasingly important and visible area of the UN's work. Mandated by the UN Security Council, the number of Peacekeeping Missions and Special Political Missions continues to grow in response to member state demands for assistance and support. The growth in the number, size and complexity of these Missions has reached a level where their budgets now constitute the vast majority of the entire budget for the UN Secretariat. The research will look at how these budgets are prepared, finalized and managed on an operational level, including an analysis of how they are controlled, audited and reported on. The overall objective will be to produce a document aimed at proposing necessary reforms and improvements.

Roy Goodman, a longtime New York Senator and graduate of Harvard Business School, passed away in 2014. His gift enables high-achieving United Nations staff members to conduct research at HKS.

*M-RCBG 2016 summer funding recipient:  
Stephanie Desanges, Overseas Private Investment  
Corporation (OPIC)*



*Stephanie Desanges (l) with Ellen Johnson Sirleaf (r),  
President of Liberia and a Harvard Kennedy School  
graduate.*

This summer I worked in the office of the President and CEO of the Overseas Private Investment Corporation. It was an amazing experience as I not only was provided the opportunity to attend meetings with the CEO with leaders within the Private Equity industry but also with leaders of state in countries such as Liberia, India, and Ukraine. Additionally, I had the opportunity to work closely with a senior advisor on projects related to Renewable Energy tied to opportunities to improve relationships for the state department. One of our major focuses was one of Obama's foreign policy agendas which was Power Africa. It was amazing to be able to see how impact investing could be used as a tool to not only combat poverty, but also as a foreign policy tool. I was on my toes everyday as I did not know who would be in the office that day, or what meetings I would be able to attend, or ad hoc research projects I would be provided. I learned a lot about the developing markets and the complications when investing within these markets as many were post conflict regions or suffered from corruption. It was the first time I would say in my career I was truly passionate about the work I was involved in as it dealt with what was truly important to me. Additionally, I learned the importance of being culturally aware and the need to be innovative when operating within the developing markets as a solution that may be in existence in the US is not the formula to success in a different market that is less developed. I do believe working at OPIC did change my goals in the short term. I feel as if I need more private sector experience within a local market. I feel as if creating a network within a developing market and understanding the nuances of investing in the market will provide me more credibility for a higher level position within an organization like OPIC. I also believe it will aid me in developing my skill set so that I may be of more added value to an organization like OPIC. Therefore my plans are not to potentially join an organization like OPIC within 10 years. However, this experience will forever stay with me and has changed the way that I think about investing.

*M-RCBG 2016 summer funding recipient:  
Patrick Mayoh, Australian Embassy, Israel*



One of my main motivations for further study was to develop innovative solutions to pressing challenges in diplomacy. I was eager to explore how federal government collaboration with innovative organizations outside of bureaucracy could help solve public policy dilemmas in international affairs. It is for this reason that I was greatly excited by a role at the Australian Embassy over summer focusing on innovation through the Landing Pad Project. The Landing Pad is an ambitious project – think an Australian Government innovation hub in Tel Aviv to connect Australian entrepreneurs with Israeli organizations. My role involved drafting the Landing Pad's social media strategy, mapping the Australian innovation scene (accelerators, incubators and innovation hubs), connecting the Landing Pad with these organizations, and hosting delegations seeking to learn in the 'startup nation'. Highlights included working with MA-SA Israel to develop an internship program for Australian university students in Israel, hosting a Nuffield Scholars delegation focused on Agtech and accompanying the Western Australian and Queensland Agents General to workshops on renewable technology and the rise of blockchain. This project allowed me to appreciate the role the government can play in facilitating cross-border partnership, stimulating commercialization of university research and collaborating with the private sector to probe challenges from water scarcity to cyber security. It also provided me with a rich insight into the high calibre of young Israeli entrepreneurs and their bold willingness to test new ideas without being hamstrung by a fear of failure. The Ambassador regularly encouraged staff to be out in the field, speaking with people. I am very grateful to the Ambassador and Deputy Ambassador for the trust they placed in me to engage in a range of outreach missions to refine my knowledge on Israel's innovation ecosystem. On outreach activities, one of my greatest accomplishments was setting up an Embassy volunteering program at the Lasova Soup kitchen for the needy. Jumping out of our air conditioned offices into the soup kitchen in South Tel Aviv allowed the team (including a very supportive Ambassador) to give back to the community. This experience has reinforced my desire to work in the foreign service after graduation, and to explore opportunities for collaboration between government and the private sector to solve pressing challenges in international affairs. I am very grateful to the M-RCBG for making this internship possible. It has been a very formative experience, and one I will look back on as a great foundation as I strive to stimulate government innovation in international affairs at the juncture between public and private initiatives.