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**ED BALLS AND PETER SANDS PUBLISH ON  
 BUSINESS OWNERS AND BREXIT**



British businesses want to stay in the customs union and the single market after Brexit, according to a Harvard survey conducted by M-RCBG research fellow **Ed Balls**. The former shadow chancellor interviewed over 120 individual businesses, trade associations and experts in Britain about the type of deal they wanted and has recently published the findings in a report written with M-RCBG research fellow **Peter Sands**.

The paper represents the second phase of a research project exploring the challenges and opportunities from the perspective of mid-sized British businesses. Their research seeks to identify and discuss the issues and priorities of mid-sized British businesses as the UK progresses towards exiting the European Union.



They argue that Brexit presents profound changes for British businesses: from how they trade, to how they are regulated and how they employ people. Highlights from this second phase of research include: most businesses want to remain in the Single Market, and if that proves impossible, to stay in the Customs Union; most businesses fear Brexit will result in more regulation, not less; and almost all British businesses want to

maintain flexible access to EU labour.

Balls and Sands conclude from these interviews that most British business leaders are concerned that the current path of Brexit could well cause significant damage to business, both because the end-point will inevitably mean more barriers to trade, most likely more regulation, and almost certainly less influence; and because the process of leaving the EU is creating huge uncertainties and diverting management efforts.

Other contributing authors include Eleanor Hallam, Sebastian Leape, Mehek Sethi and Nyasha Weinberg.

To download the paper, visit: [www.hks.harvard.edu/centers/mrcbg/publications/awp](http://www.hks.harvard.edu/centers/mrcbg/publications/awp).

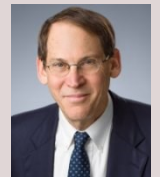
**Seminars & Events**

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).

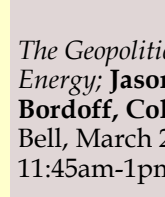


*Regulatory Policy: The EU Variation;* **Elizabeth Golberg, European Commission**. Bell, March 8. 11:45am-1pm.

*Methane: A Uniquely Difficult Greenhouse Gas Mitigation Problem;* **Robert Kleinberg, Schlumberger**. Bell, March 19. 12-1:30pm.



*How People Update Beliefs about Climate Change: Good News and Bad News;* **Cass Sunstein, Harvard**. L-382, March 28. 4:15-5:30pm.



*The Geopolitics of Energy;* **Jason Bordoff, Columbia**. Bell, March 29. 11:45am-1pm.



*A Progress Report on Deconstructing the Expert State;* **Joe Goffman, Harvard Environmental Law Program**. Bell, April 5. 11:45am-1pm.

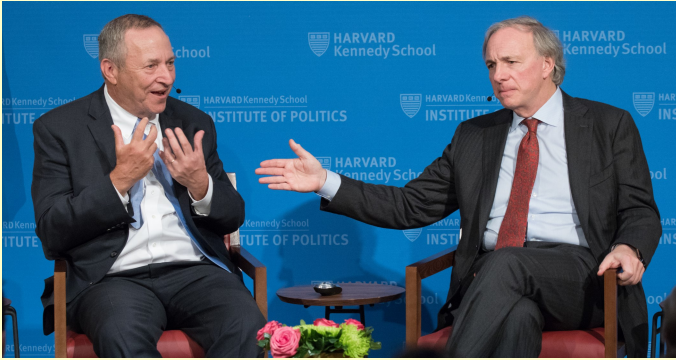


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## Summers, Dalio discuss truth and the global economy



Few people are more qualified to dispense business philosophy in Cambridge than investor and hedge-fund manager Ray Dalio (above right), an HBS graduate and one of the 100 richest people in the world. The event was hosted by the Institute of Politics and co-sponsored by M-RCBG.

Last fall Dalio published “Principles,” a book that outlines the philosophies behind his work at Bridgewater Associates, the investment management firm he started in 1975 after earning his MBA. Addressing a standing-room-only audience at HKS in February, he discussed “Pursuing Truth in the Global Economy” with M-RCBG Director **Larry Summers** (above left).

Summers introduced Dalio as “an American success story,” one of whose first paying jobs was a golf caddy. Summers said that Dalio had already become a successful trader before coming to Harvard — making his first purchase of Northeast Airlines stock at age 12. “I only bought that stock because it was the only company I could find that was selling for less than \$5 a share, so I thought I’d get more money if it went up. Dumb, isn’t it?” Dalio said. Still, Northeast’s value tripled, and that gave Dalio his first modest success. “From then on, Ray was hooked,” Summers said.

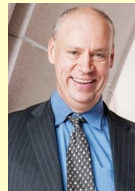
But much of the discussion was less about economics and more about the principles guiding Dalio’s practices. Bridgewater, he said, runs as an “idea meritocracy” where opinions are carefully vetted so that the best ones rise to the top.

“What I mean by that is three things,” Dalio said. “First, you have to put your honest thoughts on the table for everyone to see — if you’re really feeling that an idea isn’t the smartest, are you really able to say it that way? Second, any disagreement needs to be thoughtful: Can you understand that what’s in your head is only a small portion of what you need to know? And third, you need to have protocols for getting past your disagreements. That’s what I’ve built the culture on, knowing peoples’ weaknesses as well as their strengths.”

To read full coverage of the event, visit [news.harvard.edu/gazette](http://news.harvard.edu/gazette).

## Growthpolicy.org releases four new interviews

M-RCBG’s *Growthpolicy.org* pulls together the work of economists, lawyers, political scientists, historians, sociologists, and educators, from across Harvard’s undergraduate and graduate schools. It captures rigorous research as well as the key takeaways from that research. More than half of the entries are blog posts, opinion pieces, interviews, cases, and conference presentations. Here are four recently posted interviews.



Income inequality, financial crises, Corporate Social Responsibility, and securities legislation with Allen Ferrell, Greenfield Professor of Securities Law at Harvard Law School.



The future of jobs, income inequality, tax reform, and financial fraud with Mihir Desai, Mizuho Financial Group Professor of Finance at Harvard Business School and Professor of Law at Harvard Law School.



The future of jobs, economic mobility, and decision making in Shakespeare with Stephen Greenblatt, Cogan University Professor of the Humanities at Harvard.



Preventing the next financial crisis, behavioral ethics, and becoming good decision makers with Max Bazerman, Jesse Isidor Straus Professor of Business Administration at Harvard Business School, Co-Director of the Center for Public Leadership at Harvard Kennedy School, and Faculty Co-Chair of the Behavioral Insights Group at the Harvard Kennedy School.



In February, the Business & Government Professional Interest Group (B&G PIC) and M-RCBG hosted the annual Davos Debrief. Panelists included (l to r): HKS Dean Doug Elmendorf, Amy Bernstein of the Harvard Business Review and HKS Professor Ricardo Hausmann.

## Recent op-eds from our faculty and affiliates



*Wells Fargo's board members are getting off too easy (Larry Summers)...It is pretty clear that the Wells Fargo board has manifestly failed in its duties of supervision. A trader or credit officer as extravagantly malfeasant would not be granted a dignified exit. I find it hard to understand why regulators are so reluctant*

*to foist public accountability on the individuals in responsible leadership positions when companies do the wrong thing. Government apart, institutional investors have taken to proclaiming themselves to be major supporters of corporations behaving responsibly and ethically. Why shouldn't the avatars of responsible capitalism such as BlackRock insist on public resignations of board members when firms have established a track record of unethical behavior on their watch? *Washington Post*, Feb. 6.*



*Are Oil Prices Heading for Another Spike? (Carmen Reinhart)...Higher oil prices buttress the fortunes of producers abroad and at home. The International Monetary Fund upgraded the GDP growth outlook of all six of the top ten oil producers that were shown separately in its 2018 forecast update, and the projected growth of world trade volumes was raised half a percentage point this year and next. Increased oil revenues improve the fiscal positions of most producing economies, and some have taken advantage of global investors' hardier appetite to issue sovereign debt. *Project Syndicate*, Jan. 31.*



*Could the Renminbi Challenge the Dollar? (Christopher Smart)...Renminbi usage has clearly been growing in recent years, owing to the impressive growth of the Chinese economy and efforts by Chinese financial officials to expand the currency's global footprint. China already settles a quarter of its own exports in renminbi, and has designated*

*renminbi clearing banks and swap lines abroad, including in New York. South Korea, Poland, and Hungary have begun to issue renminbi-denominated sovereign debt. And even the tradition-bound Bundesbank has announced plans to include renminbi in its currency reserves. To be sure, drug dealers in movies still seem to prefer suitcases full of dollars, not yuan; and global investors still pour into US Treasuries whenever they get the jitters. If you had to pick one bank in which to stow your life's savings for the next 25 years, it wouldn't be in China. Yet in the long run, political dysfunction and unpredictability in the US could start to undercut the dollar as the world's currency of last resort. "America First" may win votes, but it's not a particularly good slogan for selling bonds to foreign investors. *Project Syndicate*, Feb. 2.*



*The Economic Message from Equity Markets (Jeffrey Frankel)...The recent stock-market correction - the first in the United States in two years - has invited substantial commentary about what investors should do, the role machines have played, and the implications for the*

*real economy. But only some of what has been said is useful. Many investment advisers have emphasized the need to think long term, rather than panicking when prices fall. They are right: the decline in early February is not a good reason to sell. What is a good reason to sell is that stocks are too high from a longer-term perspective. The fact is that prices are still very elevated relative to fundamentals. As the Nobel laureate Robert Shiller pointed out two weeks before the correction, the US cyclically adjusted price-to-earnings ratio has been higher than it is now only twice in the last century: at the peaks that preceded the stock-market crashes of 1929 and 2000-2002. The implication is that the rate of return on stocks is likely to be substantially lower over the next 15 years than it was over the last 15 years. Another popular response to the recent correction has been to complain that the market has been made more volatile, because trading is increasingly carried out by machines, rather than humans. *Project Syndicate*, Feb. 22*

## *Janasoff wins Humboldt prize*



**Sheila Janasoff**, Pforzheimer Professor of Science and Technology Studies, was recently awarded the Reimar Lüst Award by the Alexander von Humboldt Foundation and the Fritz Thyssen Foundation. The award is given annually to outstanding humanities scholars and social scientists from abroad who, as multi-

pliers in and through the field of academic studies, have made an exceptional contribution to the enduring promotion of bilateral relations between Germany and their own countries.

Award winners are invited to spend a period of up to one year cooperating on a long-term research project with specialist colleagues at a research institution in Germany. Janasoff plans to divide her time in Germany among multiple centers where she has close collegial ties. In Freiburg, she expects to collaborate on a summer school focusing on biology and law in 2019. In Leipzig and possibly Berlin, she will work on climate change and global governance, including the management of geoengineering, and in Munich she plans to work on her "traveling imaginaries" project on how specific innovation models such as Silicon Valley are being implemented at the city scale.

### *HEPG discusses FERC's rejection of recent DEO proposal*

The Harvard Electricity Policy Group (HEPG) met in Palm Beach in January, bringing together more than eighty electricity experts from academia, utilities, regulatory agencies, and elsewhere to discuss current regulatory dilemmas in the electricity sector in a meeting headed by **Bill Hogan** and **Ashley Brown** of the Kennedy School.

The discussion began with a debate that has recently made headlines, following the Federal Energy Regulatory Commission's (FERC) recent rejection of a Department of Energy proposal for subsidies for coal and nuclear plants able to keep 90 days of fuel supply on site for the sake of grid "resilience." FERC instead asked grid operators to report back to the Commission with their own views on the issue of grid resilience. At HEPG, participants pondered what "resilience" means for the grid and whether current electricity markets adequately support resilience. Other topics addressed were the possible benefits of demand charges and/or dynamic pricing and the development of a new method for extended locational marginal pricing, an approach to wholesale electricity pricing intended to more perfectly support the optimal dispatch of electricity generation.

### *HPCA releases volume on East Asia and climate change*

The Harvard Project on Climate Agreements has released a volume of fifteen briefs examining approaches to international cooperation in East Asia to address climate change. Most authors were participants in a research workshop conducted by the Harvard Project on September 27, 2017, and the volume builds upon the discussions in that forum. Authors are social scientists (economists, political scientists) and legal scholars who have studied climate-change policy, plus several policy practitioners. They are based in Japan, New Zealand, the People's Republic of China, the Republic of Korea, the Republic of Singapore, the United Kingdom, and the United States. The agenda and list of participants for the workshop – as well as a more detailed description of the event – are available at their website.

### *Upcoming study groups with M-RCBG senior fellows*

From Brexit and public-private partnerships to entrepreneurship and innovation, M-RCBG senior fellows offer study groups throughout the semester that provide both faculty and students



insights to the nature of social problems and their most practical solutions. Above, senior fellow **Elizabeth Golberg** leads a session on regulation in the EU. Learn more at [www.hks.harvard.edu/centers/mrcbg/students/sg](http://www.hks.harvard.edu/centers/mrcbg/students/sg).

### *Bilmes to lead field projects for HKS students*

This spring, **Linda Bilmes**, Daniel Patrick Moynihan Senior Lecturer in Public Policy, is leading seven field projects for the Rappaport Greater Boston Applied Learning Lab and the Bloomberg Field Lab. The projects have been scoped over the past few months and will run through August. They include:

- Phoenix: Examining the impact of "heat islands" on public transit usage and developing heat mitigation and shade plans
- Long Beach: Developing potential behavioral strategies to combat illegal dumping and understanding its relationship to homelessness
- MBTA: Projects including (a) contracting reform, (b) life-cycle replacement cost-benefits for capital investments, and (c) manufacturing process redesign in bus and train repairs.

### *M-RCBG 2017 summer funding recipient: Jack Sennett, Sri Lankan Prime Minister's Office*

[Last] summer I worked in the Policy Development Unit within the Prime Minister's Office in Sri Lanka. My work focused on skill shortages in the Sri Lankan economy.

Currently Sri Lanka relies mostly on tea, garments, and remittances for foreign exchange but still has a large deficit in trade with the rest of the world. New industries often require new skills, however, and I have been working on analysis to both understand what type of skills will be required, and what the government can do to provide them.

The first part of my work involved building an analytical model that allows users to input different industry growth scenarios and outputs the skilled labour requirements for the Sri Lankan economy. Developing the tool involved discussions with international organisations in Sri Lanka such as the World Bank and International Labour Organization, and collaborating with the Sri Lankan Central Bank.

While answering the question of what skills are required, I also wanted help the Prime Minister's office prioritize policy responses to the issue. Creating a framework to think through the different policy areas at their disposal, I created quantitative estimates of government intervention in each area. The estimates were assumption driven and approximate, but allowed policy makers to prioritize the most important issues, rather than trying to do all at once. I presented the findings to the Senior Advisors to the Prime Minister, the head of the department for National Planning, the Directors of the Board of Investment and local Think Tanks and research organizations.