



November/December 2016

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**M-RCBG FACULTY IN THE OPINION PAGES**



*Voters sour on traditional political economy.* M-RCBG Director **Larry Summers** in the *Financial Times* [10.9.16]. As the world's finance ministers and central bank governors came together in Washington earlier last month for their annual global financial convocation, the mood was sombre. The spectre of secular stagnation and inadequate economic growth on the one hand and ascendant populism and global disintegration on the other led to widespread apprehension. Unlike in 2008 when the post-Lehman crisis was a preoccupation or 2011 and 2012 when the possibility of the collapse of the euro system concentrated minds, there was no imminent crisis.

Instead, the pervasive concern was that traditional ideas and leaders were losing their grip and the global economy was entering into unexplored and dangerous territory.

International Monetary Fund growth forecasts released before the meeting were again revised downwards. While recession does not impend in any large region, growth is expected at rates dangerously close to stall speed. Worse is the realisation that the central banks have little fuel left in their tanks. *cont. on p. 2.*



*Political Economy of Clinton's ambitious energy program.* **Joseph Aldy** at *Nature.com* [October]. Hillary Clinton's campaign has stressed her continuity with Obama's energy policy on key aspects such as decarbonization of the US economy, technological innovation and global cooperation. However, policy reforms to deliver long-term climate goals might be out of reach in a highly divided Congress.

To drive the innovation necessary to realize the long-term goal and to attain it in a cost-effective manner requires an economy-wide price on carbon. The question is whether the political debate can be modified in a way to build a durable constituency for carbon pricing policies. *Read the full op-ed by visiting News at [www.mrcbg.org](http://www.mrcbg.org).*

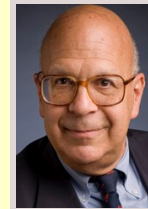


*The \$5 trillion wars.* **Linda Bilmes** in *The Boston Globe* [10.9.16]. This October marked 15 years since American troops entered Afghanistan. It was a precursor to the occupation of Iraq and is the longest military conflict in US history. Yet the trillions of dollars and thousands of lives expended in these wars have rated barely a mention in the presidential campaign. The most recent estimates suggest that war costs will run to nearly \$5 trillion – a staggering sum that exceeds even the \$3 trillion that Joseph Stiglitz and I predicted back in 2008.

Yet the cost seems invisible to politicians and the public alike. The reason is that almost all of the spending has been financed through borrowing – selling US Treasury Bonds around the world – leaving our children to pick up the tab. *Read the full op-ed by visiting News at [www.mrcbg.org](http://www.mrcbg.org).*

**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).



*First Generation College Students: How Campus Leaders Can Support Their Continued Success.* **Richard Light, HKS.** Bell, Nov. 3. 11:45-1.

*The Man Who Knew: The Life & Times of Alan Greenspan.*

**Sebastian Mallaby, Council on Foreign Relations.** Bell, Nov. 16. 12-1.



*Europe after Brexit: A Proposal for a Continental Partnership.* **Paul Tucker, formerly Bank of England.** Bell, Nov. 17. 11:45-1.

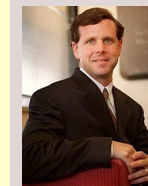


*The Geopolitics of the New Energy Abundance.*

**Meghan O'Sullivan, HKS.** Bell, Nov. 28. 12-1:30.



*Valuing Regulations Affecting Addictive or Habitual Goods.* **David M. Cutler, Harvard.** Bell, Dec. 1. 11:45-1.



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### Summers cont. from p. 1.

...At a time when markets are pointing to the problem over the next generation as being inadequate rather than excessive inflation, central bankers need to spur demand and cooperate with governments.

Enhancing infrastructure investment in the public and private sector should be a fiscal policy priority.

And the focus of international economic co-operation more generally needs to shift from opportunities for capital to better outcomes for labour. The achievement of this objective will require substantially enhanced co-operation with respect to what might be thought of as the dark side of capital mobility – money laundering, regulatory arbitrage, and tax avoidance and evasion. Read the full op-ed by visiting [News at www.mrcbg.org](http://News at www.mrcbg.org).

### Juma honored with 2017 Breakthrough Paradigm Award



The Breakthrough Institute has named **Calestous Juma** the recipient of the 2017 Breakthrough Paradigm Award. Juma, an M-RCBG faculty affiliate, will accept the prize on stage at the Breakthrough Dialogue in Sausalito, CA, next June.

The award recognizes accomplishment and leadership in the effort to make the future secure,

free, prosperous, and fulfilling for all the world's inhabitants on an ecologically vibrant planet.

Juma was chosen in recognition of his scholarship and thought leadership in biotechnology and innovation. Of all global impacts on the environment, none has a bigger footprint than food and agriculture, and few scholars are better prepared to discuss and advise our agricultural future. With his 2011 book, *The New Harvest: Agricultural Innovation in Africa*, Juma offered an essential and refreshing look at agriculture in emerging economies.

This year, Oxford University Press published Professor Juma's new book, *Innovation and Its Enemies: Why People Resist New Technologies*, which chronicles 600 years of case studies on emerging technologies and the social resistance they ignite.

Juma's ground-breaking research on science and technology has been recognized by the United Nations Environmental Programme and the Royal Academy of Engineering and he has been elected to several scientific academies, including the Royal Society of London.

### Bilmes leads White House Seminar

In September, **Linda Bilmes**, Daniel Patrick Moynihan Senior Lecturer in Public Policy, led a seminar at the White House for 75 senior political staff members regarding human resources issues in the federal government. Her presentation was based on her book *The People Factor: Strengthening America by Investing in Public Service*.

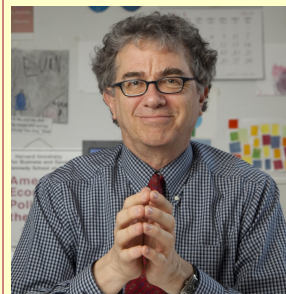
### Study groups with senior fellows are on the calendar

Each semester, M-RCBG's senior fellows offer a variety of study groups that explore the intersection between business and government. This fall, thus far they include:

- Lending: The Answer or the Problem for Low-Income Americans? (**Todd Baker**)
- Regulation Innovation: Protecting Consumers Through Technology & Trust (**Jo Ann Barefoot**)
- Reframing Climate Policy Approaches in the Electric Power Sector (**Larry Makovich**)
- The Neglected Dimension of Global Security: Financing Pandemic Preparedness and Response (**Peter Sands**)
- Topics in International Financial Regulation and Policy (**Peter Sands**)
- The Financial Education of the Eurozone (**Christopher Smart**)

To learn more, visit: [mrcbg.org](http://mrcbg.org) and type "Study Groups" in the search box.

### Frankel publishes on China's Economic slowdown

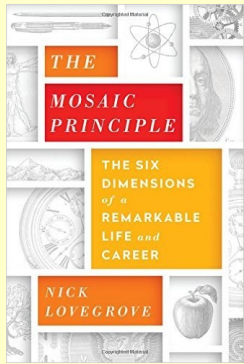


According to *Globalization and Chinese Growth: Ends of Trends?* by M-RCBG faculty affiliate **Jeffrey Frankel**, "Breathless reports in 2014 that the Chinese economy had overtaken the US economy as the world's largest (measured by Purchasing Power Parity) were followed rapidly in 2015 by breathless

reports that its economy was failing. That China has slowed down from past growth rates of 10% to a more moderate rate of 7% or lower should not have come as a surprise. It is part of a natural process of long-term convergence and involves a "rebalancing" of the economy from manufacturing into services that is desirable, even if it means a loss of export markets for some others."

Read the full paper by visiting Publications at [mrcbg.org](http://mrcbg.org).

### *Lovegrove publishes on The Mosaic Principle*



Former M-RCBG senior fellow **Nick Lovegrove** has recently published the book *The Mosaic Principle: The Six Dimensions of a Remarkable Life and Career*.

Lovegrove discusses numerous prominent individuals and connects their experiences with a blueprint of six skills – a moral compass, transferrable skills, contextual intelligence, prepared mind, intellectual thread, and extended network. *The Mosaic Principle* aims to help readers succeed in an ever-changing, more complex, and diverse world, and build a more remarkable and fulfilling life.

### *Bill Clark delivers lecture on sustainability at Univ. of MI*



In September, the Center for Sustainable Systems based at the School of Natural Resources and Environment invited Prof. **Bill Clark** to deliver the Peter M. Wege Lecture on Sustainability at the University of Michigan. This annual Lecture Series focuses on critical issues of sustainability and honors Peter M. Wege for his many outstanding contributions to the University of Michigan's

Center for Sustainable Systems and to the environmental field. The series addresses important sustainability challenges facing society in the 21st century including: energy security and declining fossil resources, global climate change, freshwater scarcity, ecosystem degradation and biodiversity loss; and sustainable development strategies for mobility, buildings, and other complex systems for meeting human needs in both developed and developing countries.

### *SSP welcomes two new research fellows*

The Sustainability Science Program (SSP) welcomes two new Giorgio Ruffolo Research Fellows for academic year 2016-2017. The fellowships honor the legacy of Giorgio Ruffolo, Italy's first Minister of the Environment (1987-92). Ruffolo worked to build Italian and European Union environmental programs and, through his charismatic leadership, encouraged many young Italians to pursue environmental careers.

Alicia Harley is conducting research on Conceptualizing power in sustainable development.

Dr. Michaela Thompson is conducting research on Longterm histories of sustainable development.

For additional information about the fellowship and recipients, visit [mrcbg.org](http://mrcbg.org). and click on Sustainability Science Program.

### *Harvard Project on Climate Agreements releases report on the Paris Agreement and climate change policy*



The Paris Agreement is a breakthrough in multilateral efforts to address the threat of global climate change. For the first time, an international agreement to reduce greenhouse-gas emissions includes contributions from all of the major-emitting countries – and, indeed, a large majority of the countries of the world. In addition, the Agreement includes a dynamic feature through which mitigation commitments can be strengthened over time.

While the Agreement sets forth an innovative and potentially effective policy architecture, a great deal remains to be done to elaborate the accord – to formulate the many rules and guidelines required and to specify more precise means of implementation. Governments, other stakeholders, and researchers also need to think about constraints on the effectiveness of the Paris Agreement – and identify organizations and processes that could complement the Agreement and the UNFCCC process more broadly.

The Harvard Project on Climate Agreements, led by faculty director **Robert Stavins**, hosted a research workshop at HKS last July to identify options for elaborating and implementing the Paris Agreement – and to identify policies and institutions that might complement or supplement the Paris-Agreement regime. Participants included 23 of the world's leading researchers focusing on climate-change policy, representing the disciplines of economics, political science, international relations, and legal scholarship.

Participants subsequently prepared the briefs that are included in this volume, based largely on their presentations at the workshop, addressing opportunities for – and challenges to – elaborating, implementing, and complementing the Paris Agreement. These briefs are organized in five sections: enhancing mitigation ambition, elaborating the Agreement's transparency mechanism, advancing market mechanisms (in and out of the Agreement), exploring complementary processes and institutions, and financing mitigation and adaptation. The briefs are designed to be readily accessible to negotiators and policy makers, as they consider how to elaborate the Paris Agreement to realize its potential to effectively address global climate change.

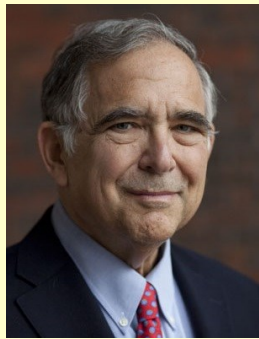
### Former SSP fellow receives 2016 Food Prize



Andrew Mude, a senior economist at the International Livestock Research Institute (ILRI) in Nairobi, Kenya and 2011 fellow with the Sustainability Science Project (SSP) was named the 2016 recipient of the “Norman Borlaug Award for Field Research and Application, Endowed by the Rockefeller Foundation.” Born in Kenya in 1977, Mude has spent

years developing and leading a program in Kenya and Ethiopia that provides insurance for never-before-insured communities that depend upon herding cattle, goats, sheep, and camels in the remote, arid and drought-prone lowlands of the Horn of Africa. The research-into-development program that Mude spearheaded is titled “Index-Based Livestock Insurance (IBLI).”

### Zeckhauser and Robinson on efficient warnings



New research paper by M-RCBG faculty affiliate **Richard Zeckhauser** and former senior fellow **Lisa Robinson**: “Governments often require that products carry warnings to inform people about risks. The warnings approach, as opposed to the command and control approach to risk regulation, functions as a decentralized regulatory mechanism that empowers individuals to make decisions that take into account their own circumstances and preferences...[Yet the current system] fails miserably at distinguishing between large and small risks; that is to say between wolves and rabbits.



Such a system is of little value, since people quickly learn to ignore a warning, given that rabbits, which pose little danger, are many times more plentiful than wolves. When a wolf is truly present, people all too often ignore the warning, having been conditioned to believe that such warnings rarely connote a serious threat.

We illustrate the clumsy-discrimination issue with examples related to cigarette labeling, mercury in seafood, trans fat in food, and California’s Proposition 65. We argue that the decision to require a warning and the wording of the warning should be designed in a manner that will lead consumers to roughly assess their accurate risk level, or to at least distinguish between serious and mild risks.

Read the full paper by visiting Publications at [mrcbg.org](http://mrcbg.org).

### M-RCBG 2016 summer funding recipient: Rachel Han, U.S. Trade Representative Office



This summer was my first time working with the US government. I decided to spend four months in DC, splitting my summer with two months at the US Trade Representative Office (USTR) and two months at US Treasury. At USTR, I provided desk research for the Europe and Middle East office in anticipation of

the July round of Transatlantic Trade and Investment Partnership (T-TIP) negotiations. Research areas were energy, steel, government procurement, and Europe’s Digital Single Market. The goal was to ensure that the US would have market access to the EU, particularly when Europe threatened US tech firms with potentially protective regulations. My contribution came in the form of a few concrete deliverables: I contributed to USTR Ambassador’s in-person negotiations with leads for the EU Commission on government procurement. I also wrote the memo on digital music service companies for the Ambassador’s trip to Nordic countries. On steel, I helped the USTR lead negotiator gather information on the supply and demand of global steel in preparation for the negotiator’s meetings with the White House and the National Security Council, in anticipation of the US-China Strategic and Economic Dialogue in Beijing.

### Pande on making microfinance more effective



Co-authored by M-RCBG faculty affiliate **Rohini Pande** in the *Harvard Business Review* [10.5.16]. For the 2.5 billion people who live on less than \$2 per day, shocks such as illness, crop failures, livestock deaths, farming-equipment breakdowns and even wedding or funeral expenses can be enough to tip them, their families, or even an entire community below the poverty line. A major challenge for international development efforts is determining which financial tools provide durable buffers against such setbacks.

While meeting this challenge is a clear priority for policy makers and donors, it is also a major profit opportunity for commercial players who can solve market failures and create real value. Personal savings, insurance, credit, cash transfers from family and friends and other financing mechanisms offer promising opportunities to create security and steady employment but they require a nuanced understanding of product design and the local market conditions in order to be effective.

To read the full op-ed, visit [mrcbg.org](http://mrcbg.org) and click on News.