U.S. tax reform is vital but Trump’s plan is flawed

Corporate tax reform has rightly been identified by both the President-elect and Congress as an immediate priority. There is no doubt that the status quo — where America has the highest statutory rate among major countries and companies hoard cash overseas — can be improved on. Unfortunately, the reforms identified by Paul Ryan, speaker of the House of Representatives, and Donald Trump appear set to damage the tax base and the US and global economies.

The central concept put forward by Mr. Ryan, which appears to have the support of Mr. Trump, is to turn corporate income tax from a tax on the return to capital into a tax on extraordinary profits. This would be done by taxing corporate cash flows. In addition to the major reduction of the overall rate, the system would change in three fundamental ways. First, all investment outlays can be written off in the year they occur rather than over time. Second, interest payments to bondholders, banks and other creditors will no longer be deductible. Third, companies will be able to exclude receipts from exports in calculating their taxable income and will not be permitted to deduct payments to foreign suppliers or affiliates from income.

To read this and other op-eds from Center Director Lawrence Summers, visit www.larrysummers.com.

Bilmes’ proposal for a Veterans Trust Fund introduced to Congress

Linda Bilmes, Daniel Patrick Moynihan Senior Lecturer in Public Policy at Harvard Kennedy School, proposed a Veterans Trust Fund last year to establish, in the event of any war, a war tax to be collected and deposited in a trust fund for the payment of benefits and compensation to veterans of that war. On December 6, Rep. Beto O’Rourke (D-TX-16) co-sponsored this legislation with two other members of Congress — Walter Jones, R-NC; and Don Young R-AK. Bilmes’ research stressed that war is inherently unpredictable, and that the true cost of health care related to conflicts is often not fully understood until several decades later. Her research found that over the next 40–50 years, the costs related to health care and disability compensation for the wars in Iraq and Afghanistan will exceed $970 billion. She cited the growing treatment costs for conditions related to Agent Orange exposure in Vietnam Veterans, Gulf War Syndrome in Gulf War Veterans, and conditions related to burn pit exposure in Iraq and Afghanistan Veterans. Bilmes also stressed that taking steps to address these costs now ensures that Congress fully accounts for these costs when considering the use of military force and that our Nation is better prepared to address the long-term and unforeseen health care needs of its veterans. The Fund would be financed in part by a war tax on non-military families.

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.


Israel’s Economic Paradox: Great Macro, Poor Micro. Manuel Trajtenberg, Tel-Aviv University. Fainsod, Feb. 1. 1-2pm.

Going Public: My Adventures Inside the SEC and How to Prevent the Next Devastating Crisis. Norm Champ, Kirkland & Ellis. Bell, Feb. 2. 11:45-1.

America’s Bank: The Epic Struggle to Create the Federal Reserve. Roger Lowenstein, author. Bell, Feb. 9. 11:45-1.

The Harvard Project conducted two side-event panels at COP-22 in Marrakech, Morocco. The first event was held on November 16, 2016, titled “The Paris Agreement’s Transparency Framework: A Building Block for Enhanced Mitigation.” The second event was held on Nov. 17, and was titled “Realizing the Potential of the Paris Agreement.” Professor Robert Stavins (pictured above) also participated in a third event held on Nov. 16, titled “Climate Think Tank Leaders on the Implementation of the Paris Agreement” – held in the China pavilion at the COP. In addition to the events, Stavins, Robert Stowe, and Jason Chapman held individual meetings at COP-22 with members of government delegations, other governmental and IGO officials, and NGOs. The Harvard Project received considerable press coverage before, during, and following the COP.

New research from HEEP faculty fellow Joseph Aldy


A “Great Swap” — a carbon tax and regulatory streamlining as a part of tax reform — can navigate the political challenges facing more effective climate-change policy, while promoting investment and providing other economic benefits associated with a shift from taxes on capital and labor to taxes on pollution.

The U.S. government taxes both business profits and the labor income of workers. But it doesn’t tax the carbon pollution that is a byproduct of business operations. In short, society taxes the fruits of labor and the returns to capital — and hence discourages labor supply and investment — but not pollution. Labor and capital are over-taxed while carbon pollution is undetaxed. Smart tax reform would lower the taxes on the socially beneficial factors of production and raise taxes on the adverse by-products of production.

A tax swap — for example, through a revenue-neutral carbon tax and suite of income tax cuts — can address economic efficiency and distributional objectives. Some recent research shows that a carbon tax coupled with a well-targeted reform of the tax code could result in net economic growth relative to no tax swap — and this is even before the pro-growth benefits of streamlining the regulatory framework are taken into account. To read the paper, visit nrcbg.org and click on “Publications” and “Faculty Affiliate Working Papers.”

Stavins leads Executive Education course

Climate Change and Energy: Policy Making for the Long Term — a new Harvard Kennedy School Executive Education program — convened U.S. and international policymakers and corporate leaders in September 2016 to address implications of and policy solutions for one of the most critical global public policy issues of our time. This state-of-the-art program provided deep insight into the science, economics, and policy of climate change — and into related topics involving energy production and use. Participants engaged with leading experts and had an opportunity for productive interaction with their peers. It was led by HEEP Director Robert Stavins, and taught by multiple steering committee members. For additional information, contact robert_stowe@hks.harvard.edu.

HEPG welcomes visiting fellow Mauricio Tolmasquim

The Harvard Electricity Policy Group (HEPG) is pleased to host Mauricio Tolmasquim, a senior electricity official, as a visiting fellow this year. Tolmasquim was responsible for establishing energy auctions as Brazil’s key policy driver for enabling energy expansion and price reduction. During his service as President of Empresa de Pesquisa Energética (EPE), Brazil’s energy and planning authority from 2006-2016, Brazil successfully launched 32 power auctions, contracting 77 GW of new generation capacity. As Deputy and Interim Minister of the Ministry of Mines prior to that, Tolmasquim led the technical working group responsible for the institutional reform of the power sector, shifting the focus toward long-term agreements and he also spearheaded the study in support of Brazil’s Intended Nationally Determined Contributions (INDCs) submitted to the UNFCCC in 2015. He participated in the World Economic Forum’s (WEF) Global Agenda Council on a New Energy Architecture and his awards include recognition by Wind Power Monthly among the global Top 30 People in the Wind Sector. Tolmasquim will continue his residency at HEPG through March, working on research into renewable energy policy. He can be reached at Mauricio_tolmasquim@hks.harvard.edu.
Master in Public Policy candidates, Laura Ostepenko and Frances Pillsbury, are recipients of the 2016 Jerome H. Grossman, MD Fellowship. The Fellowship supports physicians who share the late Dr. Grossman’s commitment to bring meaningful change to the health care system by enabling them to pursue a master’s degree in public policy or public administration. Laura Ostepenko, MD, (top photo) believes that, “Graduate medical education training programs should produce physicians who are ready for practice in the specialties and geographic locations of highest need.” Frances Pillsbury, an MD candidate at USC (bottom photo), plans to become a pediatric psychiatrist with the goal of increasing access to mental health services in the juvenile justice system. “The Grossman family’s support of the fellowship has provided a legacy of fostering the careers of young doctors who we expect to become visionary leaders who combine knowledge and experience in the practice of medicine with the public leadership and policy analysis skills needed to drive change at the system level,” said Amitabh Chandra, Malcolm Wiener Professor of Social Policy and faculty chair of the Harvard Kennedy School Healthcare Policy Program.

For more information on the Jerome H. Grossman, MD Fellowship, visit: www.hks.harvard.edu/centers/mrcbg/programs/health/grossman.

M-RCBG senior fellows launch winter/spring study groups

All sessions will be held in Belfer 503 (adjacent to Bell Hall), from 4-5:30pm except as noted. Sessions are open to all.

- Feb 3: Farrukh Khan, Sustainable development financing and investment options and tools to implement national climate actions plans
- Feb 6: Simon Winter, Addressing complexity: smallholder farmers facing climate risks in sub-Saharan Africa
- Feb 7: John DeVillars, What utility executives and those who regulate them can do to accelerate adoption of clean energy
- Feb 13: Jo-Ann Barefoot, Regulation Innovation: Protecting Consumers through Technology & Trust
- Feb 22: Todd Baker, Lending – the answer or the problem for low-income Americans?
- Feb 24: Farrukh Khan, Sustainable development financing and investment options and tools to implement national climate actions plans (2-3:30 pm)

See additional details at www.hks.harvard.edu/centers/mrcbg/students/sg.

Amitabh Chandra and Vivek H. Murthy speak on healthcare issues

Severe social isolation, widespread abuse of prescription drugs, and gun safety are among the serious public health challenges facing the United States. U.S. Surgeon General Vivek H. Murthy ’98 addressed these and other challenges during a conversation in late November at the JFK Jr. Forum at HKS.

Amitabh Chandra, Malcolm Wiener Prof. of Social Policy and faculty chair of the Harvard Kennedy School Healthcare Policy Program, moderated the discussion.

Chandra began the discussion by asking Murthy about a letter he recently sent to every physician in the country, asking for help in addressing the large-scale abuse of prescription drugs, particularly opioids. It was the first time the Surgeon General’s office had issued such a letter in its 145-year history.

“The scale of the opioid crisis warranted a call to action,” Murthy said. “We need a cultural shift in how we talk about addiction.” He pointed out that nearly 21 million people in the U.S. are struggling with addiction, but only one in 10 of them are being treated for it. “Can you imagine if only 10 percent of cancer patients were receiving treatment?” Murthy asked. “There would be a public outcry. This issue affects everyone.”

This event was co-sponsored by the Harvard Kennedy School Healthcare Policy Program. View the event here: http://iop.harvard.edu/forum/conversation-vice-admiral-vivek-h-murthy.

Chandra hosts dialog on evidence-based payment reform

Amitabh Chandra hosted a policy dialogue on Evidence-based Payment Reform for the Healthcare Policy Leadership Council at Harvard on Nov. 4. The event explored the evidence in favor of, and against, efforts to reform the way healthcare is paid for. It covered the landscape of accountable care organizations in Medicare, efforts by commercial insurers to control costs, as well as novel ways to ascertain what and how we should pay for drugs, and the interaction of those payments with other reform efforts. Prof. Katherine Baicker, C. Boyden Gray Professor of Health Economics at HSPH gave the keynote talk.
Funding for winter research projects

M-RCBG is pleased to provide funds to students completing research projects for their Master in Public Policy (MPP) or Master in Public Administration in International Development (MPA/ID) degree. The following students were awarded grants for research during the winter break:


Rebecca Barnes: Global Diplomacy Lab: An Impact Assessment (Federal Foreign Office). Berlin

Simon Black: Post-Paris Carbon Pricing in Developing Countries: Which Instruments, Where and Why? (International Monetary Fund & Morocco Finance Ministry). Washington, DC; Rabat


Taniel Chan: IARPA - Lessons Learned from Prior Efforts to Shape Disruptive Technologies (Intelligence Advanced Research Projects Activity). Washington, DC, San Francisco, New York; London; Brussels


Andres Correa Ibarquengoitia: Building an innovation DNA in Mexico - International Macro-economic Constraints and Areas of Opportunity (Bain & Co.). Mexico City

Luca de Angelis: Italian Startup Legislative Framework Review (Prime Minister’s Office). Rome, Milan

Jacob Glass: Analysis of Agencies’ Budget Reporting Requirements (White House Office of Management and Budget). Washington DC, New York

Kelley Greenman: Collective Impact with Los Angeles Mayor (City of Los Angeles). Los Angeles, Minneapolis

Natalie Hall: Refugee Employment in Germany: Barriers and Best Practices. Berlin, Nuremberg, Stuttgart

Matthew Hellauer: Minority Entrepreneurship (The Case Foundation). New Orleans, Detroit, Cleveland, Durham

Silvia Hennig: Raising Skill Levels among Portugal’s Young Adult Population - Challenges & Potential Policy Responses (OECD). Paris; Lisbon


Luka Kalandarishvili: Growth Diagnostic of Georgia (Georgian Industrial Development Group). Tbilisi

David Lancaster: Improving Housing Affordability in Sydney through Taxation Reform (Department of Premier and Cabinet). Sydney

Amy Larsen: Protecting Critical Infrastructure from Cyber Attacks. Australia; New Zealand

Wentian Lu: Chinese Firms’ Outbound Investment Strategy: the Case Study of Alibaba (Alibaba). Hangzhou, Beijing

Alex Maza: Autonomous Vehicles in Oman: A Strategy for Growth (Oman Supreme Council for Planning). Muscat, Duqm; Silicon Valley

William Tabb McGill: Improving Cyber Cooperation Between Public and Private Sectors (U.S. Senate Select Committee on Intelligence). Washington DC, New York


Yoko Okura: Flood Preparedness in Ireland - Analysis on Options for Mitigating Impact (Environmental Protection Agency). Dublin, Cork, Athlone, Carrick-on-Shannon

James Paci & Aaron Myran: Improving Social Service Delivery in Allegheny County (Allegheny County Dept. of Human Services). Greater Pittsburgh

Hansol Park: Resource Mobilization and External Engagement Strategy (Green Climate Fund). Songdo, Sejong, Seoul

David Payne: Large Low Hanging Fruit of Space Commercialization – What NASA can do to provide support (NASA). Greater Seattle


Safwan Shabab: International Migrant Labor Policy and Bangladesh (Government of Bangladesh). Washington, DC; Dhaka; Dubai; Geneva

Shauna Theel: Nudging Toward Successful Energy Efficiency Policies (Opower, a part of Oracle Utilities). Washington, DC

Marguerite Thorp: Public-private Partnerships in Mozambique: Extractive Industries and Health Authorities Partnering to Improve Health Services (ThinkWell Institute). Maputo, Pemba, Mozambique


Andreas Westergaard: Nudging Toward Successful Energy Efficiency Policies (Opower, a part of Oracle Utilities). Washington, DC

Sherwyn Wilson: Analyzing the Impact of Falling Oil Prices and the Demand for US dollars in Trinidad and Tobago (Ministry of Finance, Trinidad & Tobago). Port of Spain


Na Zhang: Subnational Debt Restructuring: How to Make Debt SWAP Program Work for China (DRC-Development Research Center of the State Council). Beijing, China