Peterson Institute for International Economics

Can global cooperation survive a fragmenting world?
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[00:00:17.11] - Anjali V. Bhatt

Hi, and welcome to PIIE Insider Live. I'm Anjali Bhatt, Communications Manager and Research Fellow here at the Peterson Institute for International Economics. I often say that one of the best parts of my job that I can just walk into the offices of some of the world's top economics experts and ask them anything, and they answer. So with PIIE Insider Live, you're coming with me to ask those questions and get those answers you won't get anywhere else. Today we're speaking with Kimberly Clausing, the Eric M. Zolt Chair in Tax Law and Policy at the University of California, Los Angeles, and a nonresident senior fellow here at PIIE. Um, before we start, if you're watching on Zoom, feel free to put your questions in the, the Q&A box. So Hi, Kim. Thanks for joining us.

[00:00:54.04] - Kimberly Clausing

My pleasure to be here. Thanks for having me.

[00:00:56.04] - Anjali V. Bhatt

Okay. So before we get into it, we've been getting a lot of media requests, and I'm sure you've also been getting a lot of media requests about another part of your research. So we're going to just get this out of the way before, before we go to get to our main topic. So, Kim, can tariffs replace income taxes?

[00:01:13.08] - Kimberly Clausing

Absolutely not. And that's very clear. So if we keep collecting tariffs at the level we are now, you could say that maybe at most they will pay for about half of the recent income tax cuts in the One Big Beautiful Bill Act. Even if you push tariffs to their revenue maximizing rate, which would be extremely unwise for a lot of reasons, you'd still only replace about a sixth of personal income taxes. So they are nowhere near enough revenue even when pushed to their limit, which would be quite unwise.

[00:01:44.23] - Anjali V. Bhatt

Okay, great. I'm glad we've got that out of the way. All right. So the The big question here, right, is can global cooperation survive in our fragmenting world?

[00:01:56.29] - Kimberly Clausing

Yes, I am hopeful that it can, but I think it's under incredible stress right now, which is part of why I worked on the paper that we're going to be talking about today, is to sort of think about paths forward when there's a lot of stress on the system.

[00:02:11.29] - Anjali V. Bhatt

Okay, so we, we're going to be talking about collective action and collective action problems. Collective action is just when, you know, a collective group is acting together, right? And so a collective action problem, from what I remember— and now you're going to correct me if I'm wrong— is a collective action problem is when if every, if every sort of individual actor in the group, if they act in only in their self-interest or maximizing their utility, as economists say, if they all act in their own self-interest, the outcome would be worse than if they actually cooperated with each other.

[00:02:47.22] - Kimberly Clausing

Yes, exactly. So it's basically just the idea that cooperation can improve society, but something's getting in the way often. You know, it could be concentrated interests, it could be free rider effects, but that's, that's the problem.

[00:03:00.01] - Anjali V. Bhatt

Okay. So I know free rider is something that, you know, we talk about a lot in economics. I think the prisoner's dilemma comes from this too, but we don't have to get into that. Yeah. So what are some of these types of collective action problems that arise?

[00:03:14.09] - Kimberly Clausing

Yes, so I've been focused a lot on global collective action problems, and one reason why they're more difficult than the regular collective action problems is, in addition to having the problem of concentrated interests that stand in the way of diffuse benefits, which is a theme you see a lot in collective action problems, you also have these interjurisdictional spillovers where it's not enough to get your society to do what's right for your particular collective action problem, but you also have to worry about how your decisions are affecting other countries and vice versa. So for instance, if some jurisdictions are more ambitious in addressing the problem than others, right, then the laggard jurisdictions can free ride off the efforts of the ambitious jurisdictions. But there are also really important competitiveness effects that can stand in the way. So if I'm, for instance, taxing my firms and the neighboring jurisdiction is not taxing their firms, we might worry that I'd lose tax base to the neighboring jurisdiction or that my firms would be less competitive when they're trying to compete compete with the other firms in a third jurisdiction. So that can make these problems particularly hard to solve on a global scale.

[00:04:21.29] - Anjali V. Bhatt

Okay, so when it comes to collective actions, and I think everything that we just said, climate change is like the sort of given problem, right? Like, it is as collective as you can get. Yes, it's a big problem. Um, so we have the Paris Agreement, and that was collective action.

[00:04:39.21] - Kimberly Clausing

Yes.

[00:04:40.05] - Anjali V. Bhatt

Um, what was in the Paris Agreement and what are the problems that are still arising from that?

[00:04:46.14] - Kimberly Clausing

Yes, so the Paris Agreement, in fairness, was a huge step forward. It was a common recognition by nearly every jurisdiction in the world. And the jurisdictions that aren't party to it now are Yemen, Libya, Iran, and the United States. So it's almost everybody has agreed that climate change is a big problem. And so it provides a moral foundation. It provides a forum for everyone to talk together. And it provides goal setting. So every country will set their nationally determined contribution, which is their path for emissions reductions. And those are nationally determined. So that means that you can be as ambitious or as not ambitious as you choose. But you're at least publicly stating that. And there's stocktaking that occurs. People say, OK, well, this was your plan. And you didn't quite meet the plan. So there's at least some sort of naming and shaming element to it. But it really lacks any enforcement mechanism or incentive effects. So you can participate in the Paris Agreement without there being any consequences for insufficient ambition or for not meeting the goals that you set forward. You know, there's a sort of a moral suasion element, but there's not any sort of real concrete incentive mechanism that's baked into that agreement.

[00:05:59.29] - Anjali V. Bhatt

Okay, let's talk about incentive mechanisms because economists love incentives. Indeed. So for something like climate collective action, what incentives can you sort of build in? Or so you said that the Paris Agreement has not really any incentives built into it. What are the kinds of things that you can build into a mechanism like this?

[00:06:20.01] - Kimberly Clausing

Yeah, well, in fairness to the Paris Agreement, there's a small incentive in the sense that people care about how they're perceived. So that's not nothing, and it's better than not having that. But I've been really intrigued lately by tools that would enable countries to adopt more ambitious policies, but also would protect adopters from non-adopters. So in the climate space, one really kind of intriguing tool that's, that's come to the fore just this year, Europe has implemented the Carbon Border Adjustment Mechanism. And the nice thing about that mechanism is that it basically provides an answer to the domestic firms about the competitiveness problem, because you can say, okay, we're going to ask you to pay some price for your carbon emissions, but we're also going to ask any firm serving the European market to pay the same price. And if they have a carbon price at home, we will credit them for that. This isn't a protectionist mechanism. It's a mechanism to really level the European playing field. So it makes it easier for Europe to show ambition, but it also provides an incentive for other countries to be ambitious. So say you're Türkiye or Ukraine and you wanna serve the European market and you make a lot of the goods that are subject to this carbon border adjustment mechanism, you may find it's in your interest to carbon price too, because otherwise your goods would be tariffed or border adjusted to meet the same common European standard.

[00:07:45.06]

But if you do the carbon price, you get the credit for it, you turn tariff revenue into domestic revenue and you have an answer to your own firms, right? We're making this coalition bigger, right? More and more countries could adopt. And then as that happens, that reduces these sort of competitiveness externalities. Now there's one downside to the European approach, which is it's not very collaborative. So you could imagine, say, if the countries that are carbon pricing in these industries— and there's 17 of the G20 jurisdictions do have some carbon pricing. The exceptions are Russia, Saudi Arabia, and of course the United States. But if those 17 cooperated and did something joint in this realm, it could be incredibly powerful. Those 17 account for 80% of the emissions in those industries, right? So if they could have a joint agreement on how to recognize and administer these kinds of border adjustments in each other's climate efforts, that could create quite a big coalition and an incentive for the whole world to sort of move towards solving this problem, right? So it does add the incentives, and that's really important.

[00:08:50.19] - Anjali V. Bhatt

So if a country produces something at the same, like, emissions levels as the EU, they get a credit back.

[00:09:02.17] - Kimberly Clausing

So if they, let's say, Mozambique has the same emissions level for aluminum that a German firm does, but they don't have a carbon price, right? Then when their aluminum crosses into Europe, the carbon border adjustment would take into effect, giving them the same carbon price that a German firm would face.. But if Mozambique implements a carbon price, then there's no border adjustment. It comes straight into Europe. And all of— almost all of the Mozambique aluminum is destined for Europe. So it's kind of a no-brainer for them to adopt an aluminum carbon price, which they can do in a sector-specific way. They get the revenue, the aluminum comes in border adjustment-free, and it has an advantage relative to dirty aluminum from countries that haven't bothered with the carbon price.

[00:09:53.11] - Anjali V. Bhatt

Okay, okay. Yeah, so have they— has Mozambique implemented a carbon price on aluminum?

[00:09:59.08] - Kimberly Clausing

They're actively considering it now, in part because of research that, that some colleagues and I have been working on. So I'm hopeful there. Yeah.

[00:10:07.22] - Anjali V. Bhatt

Okay, so part of this sort of incentive effect is to make sure that, um, you know, the governments and the firms involved see a benefit from their actions, right? Like, you want them to, to get something back. For working together on climate change.

[00:10:23.08] - Kimberly Clausing

Yeah, or at least not be penalized. You know, that you want to be able to tell your own firms, like, we're doing this policy, but we're not putting you at a disadvantage in your own market, right? So it's a nice answer to them. And then for the governments, it provides them an incentive to be ambitious because they have an answer to their own firms, right? And they can meet fiscal needs in an efficient way.

[00:10:41.19] - Anjali V. Bhatt

So, you know, meeting fiscal needs is important, and I get that. But in, in anything climate related, I really just wonder, like, why is not burning up the planet incentive enough for, for countries to work together more? Like, to me, like, having the oceans boil seems like incentive enough to act.

[00:11:04.06] - Kimberly Clausing

I agree. And, and I think you see some governments that are really motivated by that. You know, if you look at some of the European governments, even though they're tiny fractions of world emissions, they have led in this realm without regard for the free rider problem. And you see some of the recent actions in China to really address climate change in a serious way. They're already at peak emissions, or perhaps a little past it, at the stage of their development. So that's an impressive feat. So I think there are countries who are willing to take bold actions without solving this free rider problem, but unfortunately there's enough countries that aren't that we still have, you know, the need for stronger incentive mechanisms in this area if we're going to achieve success and avoid the worst outcomes. And right now, unfortunately, the current actions the government's taking are insufficient to prevent the outcomes that you're worried about.

[00:11:56.25] - Anjali V. Bhatt

OK, well, so I guess fiscal mechanisms are definitely an incentive that need to be built into these sort of actions more, which is a good sort of segue into other fiscal issues like taxes, which I know that you work a lot on. So I wouldn't really think that taxes are either a collective or an international issue. So what do you mean when you say international tax is a collective action problem?

[00:12:26.15] - Kimberly Clausing

Yes, absolutely. That's an important question to ask. A lot of our taxes we don't think have big international spillover effects, right? If the government taxes your labor income, it's not like you're going to respond by moving to a low-tax jurisdiction yourself. Peterson isn't there. So you couldn't just be like, oh no, I'm going to operate out of the Caymans now. But some types of income are very internationally mobile. And particularly multinational corporate income is very internationally mobile. And so we had and have a problem where multinational companies are quite active in moving the income towards the lightly taxed jurisdictions. And this erodes the tax base of higher tax jurisdictions. And it also creates the same kind of free rider problem where But, you know, if you're a low tax rate jurisdiction, you can help to get in a beggar thy neighbor way some of the tax base from your neighbor by lowering the tax rate or loosening the regime. There's a lot of regime competition too, where you—

[00:13:25.18] - Anjali V. Bhatt

Is that like, that's like regulation?

[00:13:27.20] - Kimberly Clausing

Yeah. Or it's more like how you're affecting the tax base and the ease of moving the income, for instance. So some jurisdictions take advantage of the fact that they have a lot of treaties to make it really easy to act as a conduit to help other— help companies get the money out of the high-tax jurisdictions and toward the low-tax jurisdictions. There's a lot of tax competition. And this results in sort of a secular decrease in corporate tax rates over time, but also a situation where trillions of dollars each year are taxed at very, very low rates, which undermines the ability of governments throughout the world to collect the taxes that they want to collect in the most ideal way, right? So many countries would like to have a robust corporate tax, but it's hard to do that because their firms say, well, you can't tax us because we have to compete with these other firms based in low-tax jurisdictions. And so you get this problem where countries can't have the tax systems that they want to have.

[00:14:29.08] - Anjali V. Bhatt

So how would working together on taxes be the better outcome for everyone? Would countries just agree that We're all going to tax multinationals at the same rate.

[00:14:41.29] - Kimberly Clausing

Yeah, it's hard to agree to the exact same rate in the exact same system because, of course, countries have their own sovereign tax policy designs. So historically, the OECD and the G20 and other groups work together on, you know, facilitating rule-setting norms to reduce the amount of this profit shifting.

[00:15:03.02] - Anjali V. Bhatt

What's a rule-setting norm?

[00:15:04.25] - Kimberly Clausing

So it might be something like you can't have a hybrid company that's treated one way by one jurisdiction and a different way by another jurisdiction and creates income that just disappears from the planet. Right. And so that, that sort of stateless income concept was formative in sort of thinking about rule setting. And the OECD has went through many rounds of sort of trying to rule set, but didn't really achieve systemic changes in the international tax system rules until recently, when basically 95% of the world economy by GDP agreed that no, we should have some minimum tax of corporate income. And what they agreed to is a country-by-country 15% designation. So the idea is if you're a multinational in every country in which you operate, you have to pay at least 15%, uh, tax.

[00:16:00.26] - Anjali V. Bhatt

That's 15% of the revenue that they make in that country?

[00:16:05.19] - Kimberly Clausing

15% of the profits.

[00:16:07.01] - Anjali V. Bhatt

Of the profits.

[00:16:07.11] - Kimberly Clausing

And so that's, that's different, right?

[00:16:08.18] - Anjali V. Bhatt

Yes.

[00:16:08.29] - Kimberly Clausing

Revenue would be a sales tax, right? And you wouldn't want to necessarily, you know, achieve your tax goals that way. Here we're trying to get it at profits, right?

[00:16:16.24] - Anjali V. Bhatt

15% of profit that you make in the country.

[00:16:18.28] - Kimberly Clausing

Exactly right. And so that, that was signed on to in a political agreement. And then slowly over the years since, in 2022, '23, '24, countries have been implementing that agreement. And that's created sort of an increase in the bottom. So you can't kind of race to the bottom all the way to zero anymore because there's going to be this 15% country-by-country feature. Now there's some evolution in that agreement since the United States didn't adopt and would have been subject to a backstop provision of the agreement that would have caused our firms to also face that 15% on a country-by-country basis. So over the past year, the Trump administration administration negotiated what's called a side-by-side agreement, which basically means that U.S. multinationals will have a more favorable regime than all the other countries' multinationals in the world, which are going to face this sort of Pillar 2 regime. That's the long and short of it. Our regime still has some minimum taxation, but it's not done on a country-by-country basis. And so what that means is effectively like if U.S. multinationals have affiliates in a zero-tax jurisdiction, they can blend that zero-tax income with higher tax income and make the minimum tax like a maximum tax.

[00:17:36.11]

Whereas in other— if you're a French multinational, you're going to face 15% in every country you operate. You're not going to be able to take the zeros and blend them with the 30s. So it's going to be 15 or 30, 15 or 30, whereas the US multinationals will be like zero and 30 gets to 15. So that's just kind of a Cliff Notes version. You know, I've got some other work that people could look at if they want the longer version. But basically, the OECD and the G20 kind of worked on this big agreement that had a really— an intention to solve the problem. And the backstop rule is sort of like the carbon border adjustment mechanism. But, you know, it's unclear. The jury's out, like, whether that agreement will be effective or whether it will ultimately be eroded. By countries that aren't adopting fully.

[00:18:25.24] - Anjali V. Bhatt

But separately from the US.

[00:18:27.26] - Kimberly Clausing

Yes.

[00:18:28.04] - Anjali V. Bhatt

Let's, let's not talk about that for a minute. Yeah. In these countries that did agree to the OECD agreement. So they, most of them now have this 15%. So any multinational that's not American is paying a minimum of 15% on their profits.

[00:18:45.02] - Kimberly Clausing

Yes. On a country-by-country basis. Now, it's not that every country in the world has adopted right now, though enough countries have adopted that the backstop agreement will affect any firms that operate into the adopting markets. Right. So let's say you're a multinational and you operate in Europe, you're automatically subject to the agreement. And so that already covers kind of more than 90% of multinational income setting to one side the United States.

[00:19:08.24] - Anjali V. Bhatt

Well, that's what I was going to say. I mean, so that's 90% of MNC income, not counting US MNCs.

[00:19:15.29] - Kimberly Clausing

Yeah. So the original calculations were done by the OECD and it was counting the United States too. So I'm not sure what fraction it is. But, you know, the US multinationals are subject to some minimum taxes. They're just not as strong as the ones that the rest of the world are subject to.

[00:19:31.08] - Anjali V. Bhatt

I mean, I guess I just think, you know, when you— when, when, as an American, when I think of a multinational corporation, you know, I think of like the big American companies. But there are so many other big multinational companies that aren't American that this is actually still useful.

[00:19:44.06] - Kimberly Clausing

Yes, absolutely. And, you know, the, the agreement has survived in a form that one could build on it in years ahead. So it's not dead. There are countries that are implementing. It provides a framework and a recognition of the problem. And so I think it's a good foundation for the future, even if the jury's a little bit out on how effective it'll be in the near term.

[00:20:07.16] - Anjali V. Bhatt

OK, so one of the things that we were talking about earlier, and as we can see from what we've been talking about now, is that with climate and international tax, this is a collective action problem where if everyone worked together, the outcome would be better. And so, like you said, the CBAM, the Carbon Border Adjustment Mechanism, that affects— that's a climate issue, could also sort of be applied in an international tax or in a different sort of way. Is there— is that like a correct parallel to draw? What are the similarities here between— because I wouldn't think that climate and tax are particularly similar other than carbon taxes.

[00:20:49.06] - Kimberly Clausing

Yeah, absolutely. That's a great question. So what I thought this— the CBAM is kind of a nice answer to the question of how do you pursue an ambitious policy without shooting yourself in the foot by hurting the competitiveness of your own firms. In the international tax sphere, there is something called the undertaxed profits rule, which does a similar thing, which basically says your own firms, if they're facing this minimum tax, will compete on a level playing field with firms from non-adopting countries. Because if they also want to serve your market, they will also face the minimum tax. So in a way, it's almost exactly parallel structure to the CBAM. It's just saying that, you know, the home market firms are going to be protected from the non-adopters because we're going to face— we're going to subject the non-adopters to the same sort of regulatory and tax environment that we're subjecting our own firms to. And so that makes it easier to do ambitious policies without sort of just giving up because your firms are feeling disadvantaged due to your actions.

[00:21:49.07] - Anjali V. Bhatt

So one of the things that you've said a couple of times is that these sort of policies protect the adopters and make sure that in the domestic market they have fair competition.

[00:22:01.02] - Kimberly Clausing

Yes.

[00:22:02.05] - Anjali V. Bhatt

Is there a danger of whether it's tax or in climate of things just kind of splitting into the adopters and the non-adopters and they just kind of do where all of the adopters have like, you know, their carbon mechanisms and their international tax and they all do that, but then the countries that don't just don't and sort of do their own thing. Is there a danger of that?

[00:22:26.28] - Kimberly Clausing

Yeah, I mean, I think that one of the useful things about coalition building around these issues is that you're really aiming to create a system that's good enough that all the other countries want to adopt, right? So you could imagine if, for instance, the G17 coordinate on a carbon pricing coalition, right? That would be a powerful incentive to be part of that coalition because if you wanted access to those markets, which represent about 60% of world GDP, even if we exclude the United States, Saudi Arabia, and Russia from this coalition, right? That's a really strong lure. Similarly, in international tax, you know, like if you've got a group of adopters and they're willing to make their access to their markets conditional on a minimum standard, that's a really strong incentive, right? Where I think we get into sort of tricky problems is if there's, you know, a spoiler country that's large enough to really demand, you know, better treatment for themselves, right? And then it's a little harder for the rest of the coalition to figure out what to do. Do about that? And that's one of the challenges we're facing at the present.

[00:23:36.29] - Anjali V. Bhatt

All right. So let's talk about the US as a spoiler country. And we can see with climate, with international tax, with trade, with lots of things, the US is a powerful enough country to actually spoil some of these agreements in a meaningful way. But even as that's happening and the US is sort of refusing to engage with the collective, The rest of the collective is still acting, right? Is this, you know, should they keep doing that? I mean, I assume we both think they should, but, you know, what's the argument for the most powerful country in a lot of these agreements isn't agreeing anymore? What's the argument for the rest of the world to keep working together?

[00:24:20.00] - Kimberly Clausing

Yeah, I think one strong argument is that everything is always temporary. Even the United States—

[00:24:25.21] - Anjali V. Bhatt

in the long run, we're all dead.

[00:24:27.20] - Kimberly Clausing

Yeah. Even the United States, things can change, right? You want to have a structure that's resilient enough that when countries go in and out of it, the structure itself can maintain some successes. I think actually one of the optimistic things about the present moment is that we haven't seen more following of the US lead on tariffs, right? So the United States has violated many international trade norms by putting on these somewhat random, somewhat reckless tariffs on nearly every country in the world. And you've seen countries have to deal with the United States. They haven't just been like, no, I'm ignoring you. They, they do deal with the United States in a way that departs from many of the norms of the international trading regime, but you don't see them then saying, okay, well, I want to do that too. I want to have bilateral negotiations with every country in the world, right? Instead, they're sticking to sort of the more principled regime, right? So you can imagine something similar happening in the climate space, right? You don't necessarily need the United States to continue being ambitious. The United States is only 12% of world emissions.

[00:25:35.08]

That still leaves 88% of world emissions that aren't the United States, right? So there's a lot of progress that can be made there without relying on US action. I think that the present moment with the Iran war is is showing countries in part that reliance on hydrocarbons and oil and gas, you know, is not necessarily in their national security interests either. Right. So that's one interesting element. And then on international tax, I think that's the hardest one in a way, because US multinationals are so dominant in the corporate profit space that you need some US buy-in. I think the fact that the Pillar 2 agreement survived with this side by side with the United States at least allows both the United States and the rest of the world to say, hey, we're doing something about this problem. We recognize that this problem exists. And maybe there's some elements of discontent on both sides, but that can often be the case with a compromise.

[00:26:31.25] - Anjali V. Bhatt

Okay, so we've mentioned trade, and we have a couple of questions here too about sort of Western institutions. And so international trade sort of generally probably has the strongest institute, global institution for maintaining a rules-based trading system through the World Trade Organization. So with the institution like the WTO, it seems like that should have solved the collective action problem. Why hasn't it?

[00:27:04.01] - Kimberly Clausing

Yeah, I think the WTO maybe gets too much criticism relative to what it's achieved, right? There hasn't been a substantial move towards protectionism and that affected, you know, the entire trading system, period, right? There's been a very bizarre year and a quarter lately from the United States that has challenged a lot of those norms, but so far the institutional structure is, is standing up well. It's not solving every problem. I think people worry about, well, how does the WTO handle subsidies? How does it handle transparency? Can disputes be resolved quickly?

Right? There's lots of areas where it could improve, but I don't think most jurisdictions are eager to tear it down and to return to sort of like a, you know, might makes right version of trade policy where everything is done bilaterally. So I think that the WTO is actually a really good model. Of a good place to start, something that can be reformed, but something we should keep.

[00:28:12.26] - Anjali V. Bhatt

So, okay, this makes me feel a little bit better because, I mean, I think with all of these institutions and with these agreements across sort of all the topics we've talked about, you know, sometimes it can feel pretty doom and gloom in the, in the U.S. to see how, how the government is interacting with these agreements. But there is a whole world out there that, that is most of the rest of the world.

[00:28:32.17] - Kimberly Clausing

Yes.

[00:28:32.26] - Anjali V. Bhatt

Um, that, that can still work towards these things, whether it's within an institution or just sort of, you know, together on, on a common topic.

[00:28:40.15] - Kimberly Clausing

Absolutely. Pluralateral coalitions of the willing, as you would— yeah.

[00:28:44.20] - Anjali V. Bhatt

Okay, we are almost out of time. Okay, so as we wrap up then, okay, well, climate is big, trade is big, tax is big. There's— you're covering a lot of big issues here.

[00:28:56.11] - Kimberly Clausing

Yes, indeed.

[00:28:57.19] - Anjali V. Bhatt

But in the next 3 to 6-ish months, what will you be watching for? What will you be looking into?

[00:29:04.15] - Kimberly Clausing

So let's take all three Areas on tariffs, I'm going to be looking at how the successor authorities that the US government is invoking are handled by the courts and also how the business community responds to this continued tariffing. Like, will they lose their patience and speak out against it? Will the court recognize these pivots to Section 122 and 301 and 232, which are—you've dealt with in other People can watch your other chats to hear about those, but will the court see those for what they are, which is just a workaround from the Trump administration to try to take Congress's power to tax? I'm hopeful that the court will see that, but we'll have to watch. On climate, I think looking at the impact of this huge energy shock on countries' policy actions will be informative. Hopefully, while this is going to create enormous disruption and may cause some temporary retrenchment from ambitious climate policy, hopefully the larger message will be heard that having clean power is actually more resilient in a lot of ways. So it'll be interesting to see. Hopefully, climate ambition retrenchment will be temporary if it does occur due to this energy price shock.

[00:30:20.23]

And then on tax, I think it'll be interesting to see the role of new tax instruments if countries get frustrated by lack of progress in addressing some of these issues, they might use things like digital sales taxes more aggressively, but also how this side-by-side agreement evolves. Will other countries use that as an excuse to weaken their commitment to handling tax competition, or will they stick to their, you know, policy goals and hope that they can build on that agreement over time? So lots of areas to watch.

[00:30:52.22] - Anjali V. Bhatt

Much to think about.

[00:30:53.16] - Kimberly Clausing

Yeah.

[00:30:54.01] - Anjali V. Bhatt

All right. So Kim, thank you so much for explaining many things about climate change and taxes and trade and what they mean for the US and for the rest of the world and how we might actually still see some collective action happening. And thanks all of you to joining us on this edition of PIIE Insider Live. What did you think? What do you want to see next? Let us know at meetings@piie.com. And if you're not already subscribed to PIIE Insider, the newsletter, piie.com/subscribe. Thanks again to Kim, and thanks to all of you for joining us. The next episode will be on April 14th with Olivier Blanchard. We'll see you then.