



November 2012

Floors 3-5, Belfer Building

**FORMER FREDDIE MAC CEO ED HALDEMAN DELIVERS
 2012 GLAUBER LECTURE**



The 2012 annual Robert Glauber Lecture was given this year by Charles “Ed” Haldeman in a talk entitled *Freddie & Fannie: Where They've Been, What To Do with Them*. Haldeman recently retired from his position as the CEO of Freddie Mac and is a 35-year veteran of the financial services industry. During the lecture, he outlined the key contributions that both Fannie and Freddie have made to society as well as their recent mistakes, and encouraged a fair and balanced examination of the factors that led to Fannie Mae and Freddie Mac’s role in the recent financial crisis.

Haldeman talked of the mortgage system when Fannie Mae was formed in 1938, when the average loan term was five to ten years, rates were always variable, and loan approval was frequently contingent upon a 50% downpayment. Since then, Fannie Mae, Freddie Mac and other government sponsored enterprises (GSEs) have dramatically changed the mortgage industry, helped lower rates and standardize loan offerings.

Many people have blamed the GSEs for the financial crisis and recession. Haldeman presented compelling evidence to refute this, pointing to the huge growth in the provision of private mortgages in the run-up to the recession, coupled with a dramatic deterioration in their underwriting standards. He noted that default rates on GSE-backed mortgages remained a fraction of those in the sub-prime market financed by the private sector.

“The employees who worked for me were very passionate about the role they performed,” Haldeman said. “It was hard to imagine there were people in society who had a visceral feeling in the opposite direction about the work they did...neither side was able to see the other’s point of view.”

The lecture honors **Robert Glauber** and his long record of distinguished contributions to the U.S. and world financial systems, as well as his long and successful scholarship and teaching which have characterized his career at Harvard. Glauber is an adjunct lecturer at the Harvard Kennedy School.

**THE KANSAI KEIZAI DOYUKAI PROGRAM
 CELEBRATES ITS TWENTIETH SYMPOSIUM**

On November 19, M-RCBG will host the 20th U.S.-Japan Symposium with the Kansai Keizai Doyukai, a nonprofit, nonpartisan organization of corporate leaders from the Osaka region of Japan.

This year’s symposium, entitled “Challenges and Opportunities for Japan over the next Two Decades”, will feature presentations from Harvard professors **Roger Porter** (program chair), **Bill Hogan**, **Joseph Nye**, **Tony Saich**, and **Ezra Vogel**. Also featured will be presentations from Doyukai members Mr. Akio Ogura (Bando Chemical Industries), Mr. Jun Sato (Showa Marutsutsu Company), Mr. Kazuhira Ogura (Mitsubishi Corporation), Mr. Koichi Kunisada (Osaka Gakuin University), and Mr. Sadao Kato (Nippon Life Insurance Company). Topics to be discussed include national security policy, energy policy, Asia-Pacific relations and economic policy.

Visit www.hks.harvard.edu/centers/mrcbg/programs/doyukai for details.

Several of M-RCBG’s seminars are now videos accessible for viewing via Vimeo. To access, visit: vimeo.com/mrcbg

Seminars & Events

M-RCBG has over 50 seminars and events scheduled for the fall semester. Below is a small selection. Please see our website (www.hks.harvard.edu/centers/mrcbg) for a complete listing.

Christian Von Hirschhausen, German Institute for Economic Research. *Electricity Sector Reform: Toward Low-Carbon Generation*. Bell Hall, Nov. 5, 12:15-1:45pm.

Carmen Reinhart, Harvard Kennedy School. *A Decade of Debt*. Bell Hall, Nov. 8, 11:45-1pm.

Kyle Meng, Columbia University. *The Cost of Potential Cap-and-Trade Policy: An Event Study using Prediction Markets and Lobbying Records*, Littauer 382. Nov. 14, 4:10-5:30pm.

Nancy Nord, U.S. Consumer Products Safety Commission. *Mandatory Regulatory Review at Independent Agencies*. Bell Hall, Nov. 15, 11:45-1pm.

Joseph Aldy, Harvard Kennedy School. *The Impact of Tax Credits and Grants on Wind Power Investment*. Bell Hall, Nov. 19, 12:15-1:45pm.

Gilbert Metcalf, U.S. Department of the Treasury. *Moving Forward on Climate Policy: What Do We Need to Know?* Bell Hall, Nov. 26, 12:15-1:45pm.

Rema Hanna, Harvard University. *Up in Smoke: The Long Run Impact of Improved Cooking Stoves*. Littauer-382, Nov. 28, 4:10-5:30pm.

Cass R. Sunstein, Harvard Law School. *Behavioral Economics and Regulatory Policy*. Bell Hall, Nov. 29, 11:45-1pm.

Hanna Breetz, ETIP associate/MIT Ph.D. candidate. *The “Stealth” Tax and Biofuels Mandate*. Bell Hall, Dec. 3, 12:15-1:45pm.

Jared Carbone, ETIP University of California. *Carbon Taxes and Deficit Reductions*. Bell Hall, Dec. 10, 12:15-1:45pm.

PROGRAM UPDATES

Bilmes addresses veterans in Welcome to Harvard event

Linda Bilmes, Daniel Patrick Moynihan Senior Lecturer in Public Policy, recently participated in a panel of Harvard affiliates calling on student service members to facilitate conversations with their peers about the role of the military. Bilmes said that Harvard students are often unacquainted with service members, which creates barriers to mutual understanding. According to Bilmes, the three most common responses to army veteran are a sense of befuddlement, guilt, and a sense of appreciation and awe. She encouraged veterans to have meaningful discussions with Harvard students about service and to serve as “ambassadors of the military” on campus.

HPCA publishes new policy brief on the Durban Platform

In a new Harvard Project on Climate Agreements Policy Brief, authors **Joseph Aldy**, Faculty Fellow of the Harvard Environmental Economics Program (HEEP) and **Robert Stavins**, HEEP Director, discuss why the Durban Platform for Enhanced Action represents an important milestone in the history of climate negotiations. The challenge is to find a way to include all key countries in a structure that brings about meaningful emission reduction on an appropriate timetable at acceptable cost, while recognizing the different circumstances of countries in a way that is more subtle, more sophisticated, and more effective than the dichotomous distinction of years past. The brief expands upon the authors’ *Science* article, “Climate Negotiators Create an Opportunity for Scholars.”

With grant, HEEP to study energy-efficiency technology adoption

The Harvard Environmental Economics Program (HEEP) has received a grant from the Alfred P. Sloan Foundation to conduct research on how and why individuals and firms adopt energy-efficiency technology. A major goal of the project is to better understand the so-called “energy-efficiency gap,” the observed tendency of decision makers to “underinvest” in energy-efficiency technologies, that is, to appear to excessively discount the value of future energy savings in comparison with up-front costs of technology adoption. The principal investigators will be **Robert Stavins**, Albert Pratt Professor of Business and Government at the Harvard Kennedy School and Director of HEEP, and Richard Newell, Gendell Associate Professor of Energy and Environmental Economics at Duke University’s Nicholas School of the Environment and Director of the Duke University Energy Initiative.



The Sustainability Science Program welcomed 24 fellows this fall, including doctoral, post-doctoral, and mid-career fellows. Research topics run the gamut from land use modeling with a changing climate in the Amazon (Eunjee Lee) and evaluating particulate emission trading schemes in India (Anant Sudarshan), to examining trade-offs between different water uses in China (Scott Moore), and commercializing a technology that stabilizes vaccines so they can be stored and shipped around the world without refrigeration – eliminating the need for the cold chain (Livio Valenti). Find further details at www.hks.harvard.edu/centers/mrcbg/programs/sustsci.

M-RCBG’s Rosengard and Bilmes host Indonesian leaders

On October 2, **Jay Rosengard**, Director of the Financial Sector Program, and **Linda Bilmes**, Daniel Patrick Moynihan Senior Lecturer in Public Policy, led 70 Indonesian mayors and city counselors on a visit to Somerville to study how budget reform and statistical programs are functioning. The event included discussions with Bali mayors on methods for evaluating contracts, combating corruption and refuse collection.

Beyond Rio +20 panel tackles collective action

One of the key themes of the private sector discussions at the Rio+20 Summit in Rio de Janeiro this past summer was the need for more systemic industry-wide partnerships to bring about change on a broader scale. Participants recognized the need to move beyond individual corporate sustainability programs to collective action in a variety of areas, particularly within the financial sector. Building on the momentum from that summit, the Regulatory Policy Program and Corporate Social Responsibility Initiative at M-RCBG recently hosted a panel of business and environmental advocacy group leaders working to advance sustainability investment opportunities and reduce material risks posed by sustainability challenges.

Matthew Arnold of JPMorgan Chase opened the panel by noting the bank’s shift toward innovative, sustainable financing. “The list of things we should not finance is very, very long for [the NGOs],” Arnold said. “When you go to bankers with that list, it’s not very inspiring to them.” Arnold underscored the problem: “Bankers do not manage to an environmental outcome...[or] a social outcome. They manage to a deal outcome. The question is – how do we get our issues into the deal metric?” Arnold encouraged students to learn the language of those they are trying to influence and find ways to build bridges across institutions and sectors.

Namrita Kapur of the Environmental Defense Fund (EDF) described her organization’s partnership with the private equity firm KKR. In aggregate, the private equity sector represents 8% of United States GDP and employs 5% of workers, yet, by its nature as “private,” has been largely untouched by international sustainability initiatives. Through its KKR partnership, EDF has worked to reduce the environmental footprint of businesses that are part of the KKR portfolio. The most gratifying piece, says Kapur: “We find that private equity is no longer asking *if* the environmental lens is going to provide value creation, now it’s a matter of *how*.”

For more information about RPP’s seminar series, please visit: www.hks.harvard.edu/m-rcbg/rpp/seminars.html. To read Katherine Leland’s (MPP ’13) full article, visit: www.hks.harvard.edu/m-rcbg/rpp/seminars.html.



RPP Director Joseph Aldy and Matthew Arnold of JPMorgan Chase participated in October 25th’s Beyond Rio +20 panel.