



April 2014

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JANE NELSON KEYNOTES AT INTERNATIONAL WOMEN'S DAY



Jane Nelson speaks on a panel with Chelsea Clinton and Melanne Vermeer. Photo credit: Ian Wagreich

On March 4, as part of a series of events around International Women's Day, the UN, the U.S. Chamber's Corporate Citizenship Center (CCC), and Business Call to Action hosted "Turning Inspiration Into Action," a forum focusing on how the private sector can act to empower women globally. The morning keynote event was a discussion

between CSRI Director **Jane Nelson**, Chelsea Clinton, and Melanne Vermeer, of the Institute for Women, Peace and Security at Georgetown University. It focused on cross-sector partnerships to empower women globally, especially the Clinton Foundation's new No Ceilings Project, which aims to bring together partner organizations across sectors to evaluate and share the progress women and girls have made in the 20 years since the UN Fourth World Conference on Women in Beijing. This keynote included a commitment by CSRI to bring together companies in the private sector for a series of roundtable workshops on empowering women through bringing them into the global supply chain; providing education and skills training, access to finance, and access to markets; and nurturing women as global business leaders. The roundtables will be organized by CSRI and CCC; the first will be held at HKS on April 17. Visit www.hks.harvard.edu/m-rcbg/CSRI/ for additional information.

M-RCBG HOSTS CENTRAL BANKERS

This month, M-RCBG will host two banking seminars:



Jaime Caruana, General Manager, Bank for International Settlements and former Governor, Bank of Spain on *Global Economic and Financial Challenges: A Tale of Two Views* (April 9, 4:30-6pm, Allison Dining Room).



Donald Kohn, former Vice Chairman of the Board of Governors of the Federal Reserve on macroprudential regulation (April 17, 4-5:30pm, Bell Hall).

Seminars & Events

M-RCBG has over 50 seminars and events scheduled for the spring semester. Visit www.mrcbg.org for a complete listing.

Natural Gas Prices and Coal Displacement; **Christopher Knittel**, L-382, Apr. 2, 4:10-5:30.



Does Regulation Kill Jobs? **Joseph Aldy**, HKS. Bell, Apr. 10, 11:45-1.

TARP: How the Most Unpopular Bill in History Became Law; **Larry C. Lavender**, House Financial Services

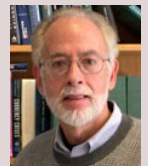


Committee. Bell, Apr. 15, 11:45-1.



Obesity, Inc.? Fat, Science and Policy in the People's Republic of China; **Susan Greenhalgh**, Harvard. Pierce Hall, Room 100F, April 21, 12:15-2.

Risk and Return in the Design of Environmental Policy; **Robert Pindyck**, MIT. L-382. Apr. 23, 4:10-5:30.



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FACULTY AND PROGRAM UPDATES

Stavins delivers lessons on cap-and-trade



Robert Stavins (far left) with workshop attendees.

Harvard Environmental Economics Program Director **Robert N. Stavins** delivered a presentation, "Be Careful What You Wish For – Lessons from U.S. Cap-and-Trade Experience," in Brussels, Belgium, on February 12–13, 2014. The presentation was given at a workshop entitled "The European Emissions Trading System – Taking Stock, Looking Forward: Options for Reform," co-hosted by the European Council of Academies of Applied Sciences, Technologies, and Engineering and the Mercator Research Institute on Global Commons and Climate Change. Stavins gave a broad overview of how market mechanisms have been used to tackle environmental issues in the United States.

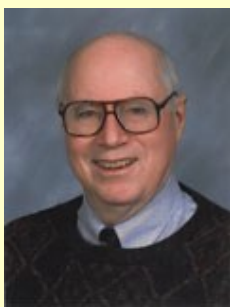
Ruggie provides guidance to UN Human Rights Council



Ahead of the UN Human Rights Council's March meeting in Geneva, CSRI Faculty Chair **John Ruggie's** latest brief, "A UN Business and Human Rights Treaty?" provided important guidance. Ruggie suggests that particularly in light of any discussions of a business and human rights treaty or other legalization process, the Council first must assess major

changes in policies and practices that have resulted from the uptake of the Guiding Principles on Business and Human Rights where such efforts are falling short. Ruggie suggested that the Council also must weigh the extent to which different forms of legalization would be capable of yielding practical results in the daily lives of affected individuals and communities around the world.

Scherer honored with special journal issue



Aetna Professor Emeritus Professor **F.M. Scherer** was recently honored by the *Journal of Industrial Business Economics*, which published a special March 2014 issue highlighting his scholarship. Titled "The Golden Age of Industrial Organization," the issue contains eight articles on various aspects of his research, from competition and innovation to pharmaceutical economics, to vertical agreements.

Briscoe wins Stockholm Water Prize



John Briscoe, co-leader of the Sustainability Science Program's (SSP's) Amazon Initiative has been named the 2014 Stockholm Water Prize Laureate for contributions to global and local water management, and his commitment to improving the lives of people on the ground. The Stockholm Water Prize is a global award founded in 1991 and presented annually by

the Stockholm International Water Institute (SIWI) to an individual, organization or institution for outstanding water-related achievements.

M-RCBG accepting applications for Dunlop Prize

M-RCBG is accepting applications for the John Dunlop Thesis Prize in Business and Government, the center's annual award to the Harvard graduating senior who writes the best thesis on a challenging public policy issue at the interface of business and government. A \$500 prize will be awarded to the winning entrant. Applicants should bring a hard copy of their thesis, readers' comments, and CV to **Jennifer Nash**, Belfer 501, HKS. The application deadline is May 9, 2014 at noon.

The prize is named after **John T. Dunlop**, the Lamont University Professor Emeritus, a widely respected labor economist who served as dean of the Faculty of Arts and Sciences from 1969 to 1973. An adviser to many U.S. presidents, beginning with Franklin D. Roosevelt, Dunlop was secretary of labor under Gerald Ford, serving from March 1975 to January 1976. Dunlop served as the second director of M-RCBG, from 1987 to 1991.

Last year the prize went to two students: Andrew Cohen for his thesis, "The Shale Gas Paradox: Assessing the Impacts of the Shale Gas Revolution on Electricity Markets and Climate Change," and Lauren Dai for her thesis, "The Comparative Advantage of Nations: How Global Supply Chains Change Our Understanding of Comparative Advantage."

For additional information, visit www.hks.harvard.edu/centers/mrcbg/students/dunlop2.

HEEP announces call for student paper prize

The Harvard Environmental Economics Program will award three prizes in May 2014 for the best research papers addressing topics in environmental, energy, and natural-resource economics: The James M. and Cathleen D. Stone Prize for best senior paper or thesis; a prize for best masters student paper; and The Enel Endowment Prize for best doctoral student paper. Learn more at www.hks.harvard.edu/m-rcbg/heep.

Frankel discusses market-based mechanisms



Jeffrey Frankel, James W. Harpel Professor of Capital Formation and Growth and Harvard Environmental Economics Program Faculty Fellow, argues that market-based mechanisms such as cap-and-trade can tackle externality problems more efficiently than command-and-control regulations. However, the United States, and to a lesser degree Europe, have retreated from cap-and-trade in recent years. This column explores parallels between market-based environmental regulation and market-based health-insurance reform. The author argues that in practice, the alternative to market-based regulation is not an absence of regulation, but rather the return of inefficient mandates and subsidies. Read the full op-ed at www.voxeu.org/article/market-mechanisms-retreat.

SSP fellow named finalist for 2014 Rolex Award



Livio Valenti, a fellow with the Harvard's Sustainability Science Program (SSP) has been selected as a finalist for the 2014 Rolex Award for Enterprise. The awards support inspiring individuals who carry out innovative projects that advance human knowledge or well-being. Valenti is cofounder of Vaxess, a company that uses silk to

stabilize vaccines so they can be stored and shipped. An international jury will meet this month to choose five laureates. For additional information on the awards, visit www.rolexawards.com. For additional information about Vaxess, visit www.vaxess.com.

STS announces undergraduate essay prize competition

For the fourth year, the Program on Science, Technology, and Society (STS) based at the Harvard Kennedy School will hold a competition for Harvard undergraduates doing independent, original research on social, cultural, historical, or policy issues at the intersection of science, technology and society. Term papers and stand-alone thesis chapters (please note: *not* entire theses) are eligible for consideration. Thematically appropriate projects in non-textual media, such as films, documentaries, and design projects, will also be considered. Interested students should submit their work by email to sts@hks.harvard.edu by Friday, April 8, 2014. Since this prize is for already completed work, interested applicants should be in a position to meet this deadline easily. Submissions will be evaluated by Fellows in the STS Program. The winner will receive a small cash award; two honorable mentions will also be selected. We will announce the results at a reception for those who have entered the competition at a date to be announced in late April.

WORKING PAPER SPOTLIGHT

Ignorance: Lessons from the Laboratory of Literature
Devjani Roy and Richard Zeckhauser

Economists, psychologists, and decision theorists try to distill the ways in which people in the real world make decisions. When outcomes are known, decision making is pretty straightforward. Hence, across a broad range of circumstances, prescriptive decision making approximates rational prescriptions. When outcomes are unknown, however, grave difficulties intrude. People choose poorly, at least as judged from the standpoint of the well-developed prescriptive theories built on Bayesian decision and expected utility.

Unknown outcomes can be further classified into risk and uncertainty. Risk applies when probabilities are known, as they are at gambling tables, or for insurance companies that have vast amounts of data on individual risks. Uncertainty prevails when even those probabilities are unknown, as they are for virtually all real-life decisions. Some of the best analytical minds of the twentieth century – Frank P. Ramsey, John Maynard Keynes, John von Neumann, and Leonard Jimmie Savage – grappled with the problem of how individuals should make choices under uncertainty; they formulated axioms and prescriptions for effective decision making. Toward the end of that century, eminent psychologists Amos Tversky and Daniel Kahneman and those who followed in their footsteps documented the significant and systematic deviations of the decisions of ordinary mortals from the prescriptions of those great mathematical minds. Such deviations are disturbing since those prescriptions are now widely – though not universally – accepted by economists and decision theorists as showing how people should decide.

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To access many of our seminars and events as podcasts via Soundcloud and iTunes, please visit
www.mrcbg.org

Old Statutes, New Problems



Jody Freeman, of Harvard Law School, gave a recent seminar as part of the Regulatory Policy Program's seminar series.

Since President Obama unsuccessfully sought major climate change policy from Congress early in his first term, battles on climate policy have shifted largely to federal agencies and the courts. With the divided Congress silent on the issue, agencies like the

Environmental Protection Agency (EPA) are increasingly regulating climate and clean energy issues using statutes written long before greenhouse gas emissions and renewables were pressing concerns.

On February 25, 2014, Jody Freeman, the Archibald Cox Professor of Law and Director of the Environmental Law Program at Harvard Law School spoke to the Regulatory Policy Program Seminar about these "problems of statutory fit" facing executive agencies in addressing the country's energy and climate challenges.

Freeman described a "new strategic environment" in which a deadlocked Congress alters the system of checks and balances among the three branches of the federal government. Historically federal courts hearing cases brought against regulatory agencies that have moved beyond the strict letter of the law have been inclined toward "democracy forcing" – that is, sending outdated laws back to Congress to be updated or changed. Yet current polarization effectively prevents Congress from playing this role, Freeman argued.

Rather than being emboldened by Congress's absence to "go for broke," however, agencies forced to regulate with outmoded statutes often pursue a careful political balance. Drawing on examples of recent EPA and Federal Energy Regulatory Commission (FERC) regulatory actions, Freeman made a case that courts should grant agencies greater leeway in adapting the statutes available to them to address pressing challenges.

Freeman's article, "Old Statutes, New Problems," is co-authored with David B. Spence, University of Texas at Austin, and is available as an RPP working paper.

The Spring 2014 New Directions in Regulation Seminar series is sponsored by the Regulatory Policy Program at the Mossavar-Rahmani Center for Business and Government. For information please visit www.hks.harvard.edu/centers/mrcbg/programs/rpp/seminars. –Kevin Rowe, second year MPP student.

The U.S. Energy Outlook

Increasing levels of energy efficiency will combine with the shale gas boom and growing oil production to bring the United States energy sector slow growth in energy demand and fast growth in energy production over the next twenty-five years, said Energy Information Administrator Adam Sieminski in a presentation to the Energy Policy Seminar at HKS on March 10.

Growth in crude oil and natural gas production continue to be a big part of the energy picture – just in the last year, Sieminski noted, access to more current data has caused the Energy Information Administration (the EIA) to revise its projections for oil production significantly upward. Oil production is now projected to reach 10 million barrels per day, versus the previous year's projection of peak production at 8 million barrels per day. This growth is projected to take place in an economy in which increased transportation fuel efficiency means that the use of oil in the transportation sector is not projected to increase, allowing the U.S. to "maintain its status as a net exporter of petroleum products."

Turning to the prospects for the electricity sector, Sieminski showed base case predictions of slow growth in electricity demand, met by relatively small increases in natural gas and renewable resources, with coal and nuclear power retaining somewhat reduced but still significant positions in the 2040 market. This baseline case forecasts U.S. energy-related CO₂ emissions holding fairly steady at current levels through 2040, remaining below 2005 levels. This projection changes significantly in scenarios in which a \$10 carbon fee and \$25 carbon fee (increasing by 5% per year) are included, with a \$25 carbon fee resulted in the near-elimination of coal from the generation mix by 2040. Even in the high carbon fee case, however, the projection for renewables topped out at only 27% of the energy mix by 2040, with nuclear power and natural gas making up the rest of the electricity generation portfolio.

Sieminski noted, however, some wild cards not included in EIA forecasts that might change outcomes significantly – for example, the development of cost-effective utility-scale energy storage, which would contribute significantly to the feasibility of a larger share of renewable energy in electricity generation. These kinds of possible technological breakthroughs, Sieminski said, are very hard to factor in to the EIA's long-term energy projections. Sieminski spoke as part of HKS's Energy Policy Seminar Series, which is jointly sponsored by the Energy Technology Innovation Policy research group of the Belfer Center on Science & International Affairs and by the Consortium for Energy Policy Research at the Mossavar-Rahmani Center for Business & Government. –Louisa Lund, Program Director, Consortium for Energy Policy Research.