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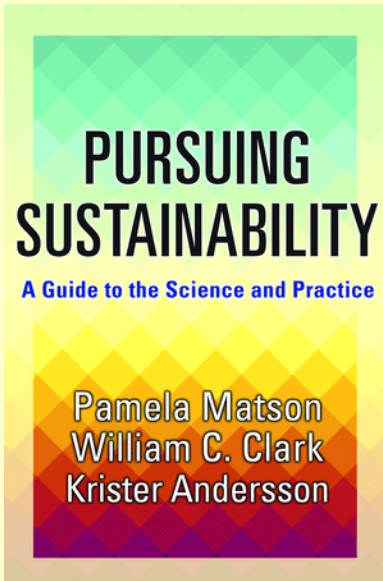
MOSSAVAR-RAHMANI CENTER for Business and Government

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CLARK CO-AUTHORS BOOK ON THE SCIENCE AND PRACTICE OF PURSUING SUSTAINABILITY



William Clark, Harvey Brooks Professor of International Science, Public Policy and Human Development and Co-Director of the Sustainability Science Program, has co-authored the recently published *Pursuing Sustainability: A Guide to the Science and Practice* with Princeton University Press. Because sustainability is a global imperative and a scientific challenge like no other, this book serves as a concise guide for both students and practitioners and as a strategic framework for linking knowledge with action in the pursuit of sustainable development. It also serves as a companion to more narrowly focused courses dealing with sustainability in particular sectors such as energy, food, water, and housing, or in particular regions of the world.

Pursuing Sustainability shows how more inclusive and interdisciplinary approaches and systems perspectives can help you achieve your sustainability objectives. It stresses the need for understanding how capital assets are linked to sustainability goals through the complex adaptive dynamics of social-environmental systems, how committed people can use governance processes to alter those dynamics, and how successful interventions can be shaped through collaborations among researchers and practitioners on the ground.

For additional information, visit the M-RCBG homepage at www.mrcbg.org and click under Research.

SPARROW PUBLISHES BOOK ON POLICY REFORM

Malcolm Sparrow, professor of the Practice of Public Management at the Kennedy School, has published a book on the current crises in policing. *Handcuffed: What Holds Policing Back, and the Keys to Reform*, shows how the core ideas of community and problem-solving policing have failed to thrive. In many police departments these foundational ideas have been reduced to mere rhetoric. The result is heavy reliance on narrow quantitative metrics, where police define how well they are doing by tallying up traffic tickets issued (Ferguson), or arrests made for petty crimes (in New York). Sparrow's analysis shows what it will take for police departments to escape their narrow focus and perverse metrics and turn back to making public safety and public cooperation their primary goals.

For more information, visit: www.brookings.edu/research/books/2016/handcuffed.

Seminars & Events

M-RCBG has over 80 seminars and events scheduled each semester, some of which are listed below. For a complete schedule, visit www.mrcbg.org.



Informing Consumers with Numbers: Pitfalls and Principles; **Jack B. Soll, Duke Bell**, Apr. 7. 11:45am-1pm.

Thin Political Markets: the Soft Underbelly of Capitalism; **Karthik Ramanan, Harvard**. Fainsod, Apr. 14. 11:45am -1pm.



Controlling Carbon Emissions from U.S. Power Plants; **Adele Morris, Brookings**. L-382, Apr. 27. 4:15-5:30pm.



Confronting Moral Conflict in the Era of Globalization; **Steven Weisman, Peterson Institute for International Economics**. Bell, Apr. 28. 11:45am-1pm.



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Stavins awarded Climate Change Solutions Fund grant



Robert N. Stavins, Albert Pratt Professor of Business and Government and Director of the Harvard Environmental Economics Program, has been awarded one of ten grants by the Climate Change Solutions Fund, an initiative launched last year by Harvard President Drew Faust. The awards are meant to encourage multidisciplinary

research around climate change. The project, which will be spread among six Harvard Schools, will share over \$1 million in funds.

Stavins' project will drive a program of multidisciplinary research and analysis that contributes significantly to the elaboration of the Paris climate agreement and to a better understanding of institutions and processes that may complement the United Nations Framework Convention on Climate Change.

Hogan speaks on electricity challenges



In February, Prof. **William Hogan** spoke on "Electricity Market Design" at the Federal Energy Regulatory Commission's Legacy Series, a group of talks looking back at the broad challenges facing the D.C. agency over the past 40 years. He also recently published the article "Demand Response: Getting the Prices Right" in the

March 2016 issue of *Public Utilities Fortnightly*.

Ruggie honored by the American Bar Association



Prof. **John Ruggie**, Berthold Beitz Professor in Human Rights and International Affairs, and Faculty Chair of the Corporate Social Responsibility Initiative, is being honored this month by the American Bar Association Section of International Law by receiving the World Order Under Law Award. It was

established to recognize individuals who have made a substantial contribution to and provided visionary leadership for advancing the Rule of Law in the world. Ruggie was chosen for his demonstrated sustained, outstanding service in the field of international law to include contributing to the development of the international system or to the rule of law, for general professional excellence or for other purposes consistent with the Section's goals, priorities, or mission.

Updates from Professor Roger Porter



70 Years of Advising the President: On February 11, **Roger Porter**, IBM Professor of Business & Government, delivered the keynote address at a conference at the Brookings Institution on "The Council of Economic Advisers (CEA): 70 Years of Advising the President." The conference brought

together the living chairmen and members of the CEA over its first seven decades and explored the difference it has made and its contributions to economic policy. Porter argued that the CEA not merely survived its difficult first years, but that it flourished, due in large part to the CEA maintaining its credibility with the President, Congress, and with the outside economic community. Porter said that the CEA's task is simple if challenging – to focus on what it does well; to maintain its reputation for sound and objective analysis; to steer clear of operational responsibilities; to maintain the fresh flow of people and ideas from the world of academia; and to provide the President the best analysis available and its best economic judgment. He concluded that the CEA faces a major challenge: In an era of heightened partisanship can it maintain its reputation for objective analysis?

Presidential Leadership in a Challenging Time: On Feb. 4, Porter delivered the G. Homer Durham Lecture at Brigham Young University on the subject, "Presidential Leadership in a Challenging Time: How Should We Measure the President?" At a time when we are preparing to elect a new president, Porter discussed the original conception of the office of the presidency, the roles the President has played throughout American history, and the extent to which presidents have succeeded in establishing a wise and far-sighted national agenda, guiding the nation's foreign policy, and producing informed decisions that are skillfully implemented.

Politics and Policy: On Mar. 11, Porter addressed the Boston Chamber of Commerce on the subject of "Politics and Policy: The 2016 Elections." He noted the movement in the last hundred years to a larger and larger role for voters in the selection of presidential candidates, the effects of political polarization and the shift toward an era of divided government, the pattern of policies that have been enacted in the past year under divided government, the influence that the presidential election is likely to have on which party controls a majority in the U.S. Senate and House of Representatives, and the major issues that the next President and Congress will likely face with respect to trade policy, spending on entitlement programs, tax reform, immigration, climate change, and infrastructure spending.

Bilateral Cooperation between China and the U.S.: Facilitating Progress on Climate-Change Policy



The Harvard Project has released a paper on China-U.S. cooperation on climate-change policy – jointly authored with researchers at China's National Center for Climate Change Strategy and International Cooperation (NCSC). Cooperation between the two countries is very important, as they are the world's two largest emitters of greenhouse gases. Joint announcements on climate-change policy by the countries' leaders – in November 2014 and September 2015 – facilitated progress toward completing a major new international climate-change agreement in Paris in December 2015.

The paper is based in part on the proceedings of joint workshop hosted by NCSC in Beijing in June 2015. View it here: <http://belfercenter.ksg.harvard.edu/publication/26326>

Workshop on Financial Risk from Climate Change

On January 20, HEEP Director **Robert Stavins** presented at a workshop in Oslo, Norway – "Potential Climate Risks in Financial Markets." The workshop was organized by the Department of Economics at the University of Oslo (UiO) and supported by Norges Bank Investment Management (NBIM). The workshop consisted of 30 participants from NBIM and Norwegian academic institutes including: UiO, Norwegian School of Economics, Norwegian University of Science and Technology, and BI Norwegian Business School, Cicero.

Participants offered different points of view on the effects of climate change on financial markets. The goal of the workshop was to advance new research connecting financial economics and environmental economics.

Stavins focused on what he determined to be a more important determinant of risk for financial markets than climate change itself – namely, climate-change *policy*. A memo was prepared following the workshop, including material from Stavins' presentation, "Responding to Responses: The Risks of Climate Change Policies in the Post-Paris World." He elaborated on the Paris Agreement and how markets respond to governmental action on climate change.

A Year of Sovereign Defaults?



When it comes to sovereign debt, the term "default" is often misunderstood. It almost never entails the complete and permanent repudiation of the entire stock of debt; indeed, even some Tsarist-era Russian bonds were eventually (if only partly) repaid after the 1917 revolution.

Rather, non-payment – a "default", according to credit-rating agencies, when it involves private creditors – typically spurs a conversation about debt restructuring, which can involve maturity extensions, coupon-payment cuts, grace periods or face-value reductions (so-called "haircuts").

If history is a guide, such conversations may be happening a lot in 2016.

Like so many other features of the global economy, debt accumulation and default tends to occur in cycles.

Since 1800, the global economy has endured several such cycles, with the share of independent countries undergoing restructuring during any given year oscillating between zero and 50 per cent.

Whereas one- and two-decade lulls in defaults are not uncommon, each quiet spell has invariably been followed by a new wave of defaults.

The most recent default cycle includes the emerging-market debt crises of the 1980s and 1990s.

Most countries resolved their external-debt problems by the mid-1990s, but a substantial share of countries in the lowest-income group remain in chronic arrears with their official creditors.

Like outright default or the restructuring of debts to official creditors, such arrears are often swept under the rug, possibly because they tend to involve low-income debtors and relatively small dollar amounts.

But that does not negate their eventual capacity to help spur a new round of crises, when sovereigns who never quite got a handle on their debts are, say, met with unfavourable global conditions.

To read Professor **Carmen Reinhart's** full op-ed in *The Jordan Times*, visit: www.jordantimes.com/opinion/carmen-reinhart/year-sovereign-defaults

HEPG hosts seminar on Clean Power Plant Model Rules



Not many speakers begin by asking the question, “Why am I still doing this presentation?” But in the case of Kate Konschnik’s recent talk in the Energy Policy Seminar, dramatic developments in the past few weeks have increased uncertainty about the future of the EPA’s new carbon emissions regulations, developed under the terms of the Clean Air Act, and known as the “Clean Power

Plan.” Konschnik, who is a Lecturer on Law and Director of the Environmental Policy Initiative at the Harvard Law School, began by explaining the background.

First, the Supreme Court surprised most observers by deciding, in a 5-4 vote, to issue a “stay” on implementation of the CPP until state complaints against the plan could be fully reviewed and decided on by the Court – an action that led many to speculate that the Court would reject the CPP itself by the same vote of 5-4 when the actual case was heard. However, with the subsequent death of Justice Scalia, the likely final decision of the Court – and even when there might be nine justices to reach a decision – is once again extremely difficult to predict. The only known factor is that resolving the issue will take time – two to four years, Konschnik predicted, before a final decision is reached on whether the Clean Power Plan can be implemented.

In light of this uncertainty, Konschnik suggested, it is reasonable to ask whether a discussion of state implementation strategies may be premature. However, Konschnik argued, the current legal limbo of the Clean Power Plan is not unusual for Clean Air Act regulations, which have often proceeded in “fits and starts.” Furthermore, the states themselves have not necessarily put their planning efforts on hold – Konschnik identified twenty states which have declared their intentions to continue planning, and nine others which are still assessing their options.

As Konschnik explained, there are many variables and alternatives for states to consider in making their CPP compliance plans. For example, states can comply by limiting the *rate* of carbon emissions from the power sector (a “rate-based approach”) or by limiting total carbon emissions from this sector (a “mass-based approach”). They can adopt plans tailored for trading with other states, or plans for compliance without trading. For states that choose to use carbon allowances, these can be allocated free of charge or auctioned.

To read Louisa Lund’s full write up on Konschnik’s seminar, visit: www.hks.harvard.edu/m-rcbg/cepr/konschnik%20final%20summary.pdf

Student Internship Update: Ingrid Wallin Johansson, Swedish Financial Supervisory Authority

Between May and August of last year, I interned for twelve weeks at the Swedish Financial Supervisory Authority (Finansinspektionen, FI) as part of the Office of Economic Analysis. The Office is responsible for FI’s overarching financial stability assessment, in addition to serving as the in-house expertise on macroeconomic analysis. Their responsibilities also include the complete economic analysis underlying the application of macroprudential tools, e.g. the countercyclical capital buffer and financial stability motivated mortgage regulation.

The project on which I spent most of my time during the summer consisted of evaluating aspects of the economic impact from recent years’ regulatory changes in the financial stability sphere, both international and those specific to Sweden. I primarily built a model for assessment, which will serve as a foundation for future evaluations and policy-making made by the Office. In doing this, I relied both on my first-year HKS training and on my previous education, while also incorporating the understanding of the financial sector that I had acquired during prior professional experiences.

I also took part in the ongoing work of the Office. This included contributing to the final stages of a key biannual report, *Stability in the Financial System*, as well as the monitoring of incoming macroeconomic news. With a focus on macroeconomics news that has the potential to impact the adequate functioning of the financial system, the Greek situation of course took center stage during my internship. Moreover, the internship enabled me to acquire a deeper understanding of key processes for macroprudential policymaking in practice, e.g. regarding the quarterly reassessment of the countercyclical capital buffer level, as well as of the constraints placed on policies by legal and political concerns. I was also able to familiarize myself with the processes and structures regarding international policy-coordination and collaboration on financial stability matters.

This internship has complemented my previous knowledge from the private sector regarding matters related to financial stability, deepening my understanding of the issues at hand. It has allowed me to see what the financial regulatory process is like in practice and from an inside perspective. It furthermore required me to apply both first-year HKS training and earlier training, especially in corporate finance, to a policy area that fascinates me. The internship has sharpened my understanding of which issues I want to pursue further during my second year at HKS and beyond. I am very grateful to M-RCBG for the support that I received.