



HARVARD Kennedy School
MOSSAVAR-RAHMANI CENTER
for Business and Government

CREATING PUBLIC VALUE BY
 ENGAGING BUSINESS AND
 GOVERNMENT

January/February 2015

www.mrcbg.org

**M-RCBG WELCOMES FORMER FINLAND PRESIDENT
 TARJA HALONEN AS THE 2015 ANGELOPOULOS
 GLOBAL PUBLIC LEADERS FELLOW**



Tarja Halonen, who served two terms as President of the Republic of Finland (2000-12), has been named as Angelopoulos Global Public Leaders Fellow at Harvard Kennedy School (HKS), and will begin her fellowship in February.

Halonen has an impressive and lengthy background in public service, having held a number of elected and appointed positions. Prior to her election as the first female President in Finnish history, she served as Minister for Foreign Affairs (1995-2000); Minister of Justice (1990-91); Minister for Nordic Cooperation (1989-91); and Minister at the Ministry of Social Affairs and Health (1987-90). She also held a number of top committee positions while serving a member of the Finnish Parliament from 1979 to 2000. Prior to her time in national office, Halonen served as a trade union attorney (1970-74; 1975-79) and as a member of the Helsinki City Council (1977-96).

Halonen has held various national and international honorary positions including Co-Chair of the UN High-level Panel on Global Sustainability (2010-12), Co-Chair of the International Labour Organization (ILO) World Commission on the Social Dimension of Globalization (2002-04) and Co-Chair of the UN Millennium Summit in 2000. Among many other positions, she is currently the Co-Chair of the High Level Task Force for International Conference on Population and Development (ICPD) (2012-) and a member of the Leadership Council of the UN Sustainable Development Solutions Network (2014-). A graduate of Helsinki University, Halonen also holds 17 honorary university degrees.

"President Halonen is an accomplished and inspiring leader, who has worked tirelessly on behalf of human rights and sustainable development while in high office," said HKS Dean David T. Ellwood. "She brings a wealth of skills and experience and a passion for public service that will resonate with the entire HKS community, and we look forward to welcoming her to campus."

As Angelopoulos Fellow, President Halonen will become an active participant in the academic and intellectual life of the school, collaborating with scholars and researchers, lecturing, writing and meeting with students.

"I am very excited about the fellowship at Harvard Kennedy School and the opportunity to foster dialogue between politics and academia," said Halonen. "One particular focus during my stay will be sustainable development as it is a topic I have been working on very much in recent years and will be extremely relevant in 2015."

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.



Public Private Partnerships; John Cullinane, Cullinnet founder and former M-RCBG senior fellow. Bell, Jan. 28. 12-1.

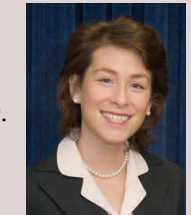
Strategic Policy Choice in State-Level Regulation; Christopher Knittel, MIT. L-382, Dec. 4. 4:10-5:30



Confronting City and State Fiscal Crises; Richard Ravitch, Former Lieutenant Governor of NY. Bell, Feb. 5. 11:45-1.



Emotional and Financial Impatience; Jennifer Lerner, HKS. Bell, Feb. 19. 11:45-1.



Search Groups:
M-RCBG



@HKS_BizGov



MRCBG

HEEP hosts Enel CEO Francesco Starace at HKS

The Harvard Environmental Economics Program (HEEP) hosted Francesco Starace, the Chief Executive Officer and General Manager of Enel SpA, at the Harvard Kennedy School December 1-3, 2014. As part of his visit, Starace gave a public talk titled "Meeting Tomorrow's Energy Challenges: Why technology will define our energy future." He noted that the cost of some renewable-energy technologies is decreasing rapidly, and the corresponding penetration of renewables into energy markets is increasing rapidly. Growth of renewable capacity can significantly reduce greenhouse-gas emissions and other air pollutants.

Starace has been the CEO and General Manager of the Enel Group—a global energy company based in Italy, with extensive operations in Europe, North America, and Latin America—since May 2014. Between 2008 and 2014, he was the CEO of Enel's renewable energy division, Enel Green Power, which he led to its successful IPO in 2010.



Harvard Kennedy School Dean David Ellwood (right) and Professor Robert Stavins (left) greet Enel CEO Francesco Starace (center) during his visit to campus.

M-RCBG co-hosts patent workshop



M-RCBG, along with MIT's Initiative on the Digital Economy, the Institute for New Economic Thinking and The Centre for International Governance Innovation, hosted a workshop in January called "Governing Innovation: The Law, Economics and Political and Political Economy of Patent Systems." The workshop focused on research including portfolios, patent business models

and secondary markets, as well as licensing, and patent assertion, and a higher level focused on thickets, markets, and industries. Participants also discussed a new window for understanding the information and transaction costs of patents and the role they play in competition and innovation. M-RCBG faculty affiliate **F. M. Scherer**, professor of public policy and corporate management in the Aetna Chair at HKS helped organize and shape the agenda for this workshop.

M-RCBG helps to fund 35 student research teams

This winter, the center has provided financial support to 35 student teams traveling to places around the world to undertake research for Policy Analysis Exercises (required for MPP students) and Second-Year Policy Analyses (required for MPA/ID students). A sampling of students and projects that M-RCBG is helping to fund include:

- Linda Li: Georgia, Texas, and Colorado to study small business access to capital in the aftermath of recession and tightening banking regulations.
- Lance Li: Beijing and Suzhou to study whether electric vehicles might offer a solution to Beijing's pollution problem, and if so, how to get more electric vehicles on the road.
- Peter Tobias: New York and Washington to investigate the long and short-term drivers of the share of national income that is going to capital in the form of corporate earnings and whether corporate earnings are forecastable.

The Harvard Environmental Economics Program is funding two student projects: Changgi Lee and Surabhi Shankar's research in China on creating a national emissions trading market (with support from BP), and Mick Power's work in Pennsylvania exploring the economic impacts of energy transition in Pennsylvania coal country (with support from the Enel Foundation for Environmental Economics).

Bilmes-produced film a film festival finalist

A film produced by **Linda Bilmes**, Daniel Patrick Moynihan Senior Lecturer in Public Policy at HKS, titled "The Covenant with America's Wounded Warriors: John Mateczun and the New Walter Reed National Military Medical Center," has been selected as a finalist at the Chagrin Documentary Film Festival. The film was co-produced by filmmakers Charles Mann, Franco Sacchi, Catherine Reilly and HKS alumni and veteran Matt Mabe). It accompanies the publication of a series of three cases Bilmes wrote on the merger of Walter Reed Army Hospital and Bethesda Naval Hospital, which are being published jointly by HKS and HBS Press.



Spring study groups at M-RCBG

This spring, M-RCBG senior fellows will offer study groups on a variety of topics:

Binta Niambi Brown will continue a series of discussions about “The Changing Nature of Capitalism and the Role of Business in Creating Social Value.” Each session will feature a business executive who is addressing public problems in powerful and unusual ways.

Lewis Kaden will launch a new study group on “Rebuilding the American Dream: The Markle Task Force on Jobs, Opportunity, and Economic Security.” The group will explore way to rebuild an economy that provides every person with the skills and opportunity to find a productive role, and will include guests from the Markle Task Force.

Eoin Gahan will offer a study group on “The Changing Nature of Trade Agreements,” building on a successful series he ran last year.

Marshall Lux will launch a study group on “The Unintended Consequences of Dodd-Frank: How Laws Get Arbitraged,” engaging students in discussions about his research on this theme.

Ndidi Nwuneli will continue her study group on “Social Innovation and Entrepreneurship in Africa,” examining the landscape for social innovators and entrepreneurs in Africa and opportunities for accelerating their impact.

Paul Verdin will continue discussions about his research on “The Strategic Imperative of Creating and Capturing Value.”

For details about these sessions, and a full listing of senior fellow offerings, please visit: www.hks.harvard.edu/centers/mrcbg/students/sg.

M-RCBG accepting applications for senior fellows program

March 1 is the deadline to apply to be a senior fellow at M-RCBG for the academic year beginning September 2015. Senior fellows are distinguished professionals from government and business who come to the center to address issues at the interface of the public and private sectors: regulation, corporate governance, and the role of government in the changing global economy. They undertake independent research projects that culminate in a journal article or book. In addition to pursuing research, every senior fellow offers a study group for students and engages in life at the center. The selection committee is chaired by **Richard Zeckhauser**, Frank Plumpton Ramsey Professor of Political Economy at HKS.

For a list of current senior fellows and information about how to apply, visit: www.hks.harvard.edu/centers/mrcbg/about/fellows/srfellows.

HEEP hosts research and career development workshops for fellows



Pre-Doctoral Fellows Todd Gerarden, Trisha Shrum, and Samuel Stolper listen to a presentation at the HEEP-hosted workshop.

The Harvard Environmental Economics Program (HEEP) hosted a research workshop for HEEP Pre-Doctoral Fellows and alumni of the Fellows program on October 23-24, 2014 at HKS. Approximately 20 alumni and 20 current doctoral students participated. The workshop included research presentations organized into topical panels. Among the topics were environment and health, energy efficiency, and energy-technology innovation. There was also an extended session in which alumni related experiences and advice on career development for the benefit of the current pre-doctoral fellows.

Ruggie offers closing remarks at UN plenary session



John Ruggie, Berthold Beitz Professor in Human Rights and International Affairs at HKS and former UN Special Representative for Business & Human Rights, presented the closing plenary remarks at the Third United Nations Forum on Business & Human Rights held in Geneva in December. From 2005-2011 he was the Special Representative of the UN Secretary-General for Business and Human Rights, in which capacity he developed the UN Guiding Principles on Business and Human Rights. To read his remarks, visit www.mrcbg.org and navigate to the CSRI program, and then to News and Events.

Harvard Project on Climate Agreements at COP-20



The Harvard Project on Climate Agreements cohosted two official side-events at the Twentieth Conference of the Parties (COP-20) of the United

Nations Framework Convention on Climate Change (UNFCCC), which was held in Lima, Peru, in December 2014. In addition, Project Director **Robert N. Stavins** was a panelist at two other events at COP-20.

The Harvard Project kicked off its participation on December 8 with "Implications of the Energy-efficiency Gap for Reducing Greenhouse-gas Emissions" – a side event co-hosted with the Centre for European Economic Research (ZEW) and the Enel Foundation. Presentations were based in part on a Harvard Project Discussion Paper – "An Assessment of the Energy-Efficiency Gap and its Implications for Climate-Change Policy." Panelists discussed the "energy-efficiency gap" – the apparent gap, suggested by research, between the rate at which energy-efficient technologies are actually adopted and the rate at which scholars and policymakers expect them to be adopted, based on expected private financial returns to investment in these technologies.

Stavins also participated in "International Cooperation: Towards the 2015 Agreement – A Perspective from International Think Tanks" – a panel devoted to China-U.S. cooperation on combating climate change. This December 9 event was hosted by the National Development and Reform Commission of the Government of the People's Republic of China.

HEPG hosts FERC's Norman Bay at plenary session

The Harvard Electricity Policy Group held a plenary session in New Orleans in December where Federal Energy Regulatory Commission chairman-elect Norman Bay, and state commissioners from Arizona, Illinois, Louisiana, Maryland, and Texas also attended. The group discussed complexities that would arise with using environmental criteria to dispatch power plants, where least emitting sources would be dispatched first. While such a system seems simple in theory, the idea raises many questions, including how economic merit would factor into dispatch. In the Northeast, environmental factors are figured in through the Regional Greenhouse Gas Initiative (RGGI). The group engaged with Jonathan Schrag, the founding director of this initiative, and examined plans on the table in California and the PJM states. HEPG also addressed the ongoing debates over assuring resource adequacy through mandates or market mechanisms, including the impending need for gas pipeline capacity.

M-RCBG Dir. Summers on the case for a carbon tax

The following is an excerpt from a recent op-ed by M-RCBG Director **Lawrence Summers**, published in The Washington Post. For the full piece, visit www.mrcbg.org and navigate to *In the News*.

The case for carbon taxes has long been compelling. With the recent steep fall in oil prices and associated declines in other energy prices, it has become overwhelming. There is room for debate about the size of the tax and about how the proceeds should be deployed. But there should be no doubt that, given the current zero tax rate on carbon, increased taxation would be desirable.

The core of the case for taxation is the recognition that those who use carbon-based fuels or products do not bear all the costs of their actions. Carbon emissions exacerbate global climate change. In many cases, they contribute to local pollution problems that harm human health. Getting fossil fuels out of the ground involves both accident risks and environmental challenges. And even with the substantial recent increases in U.S. oil production, we remain a net importer. Any increase in our consumption raises our dependence on Middle East producers.

All of us, when we drive our cars, heat our homes or use fossil fuels in more indirect ways, create these costs without paying for them. It follows that we overuse these fuels. Advocating a carbon tax is not some kind of argument for government planning; it is the logic of the market: That which is not paid for is overused. Even if the government had no need or use for revenue, it could make the economy function better by levying carbon taxes and rebating the money to taxpayers.

While the recent decline in energy prices is a good thing in that it has, on balance, raised the incomes of Americans, it has also exacerbated the problem of energy overuse. The benefit of imposing carbon taxes is therefore enhanced.

On the other side of the ledger, there has always been the concern that a carbon tax would place an unfair burden on some middle- and low-income consumers. Those who drive long distances to work, say, or who have homes that are expensive to heat would be disproportionately burdened. Now that these consumers have received a windfall from the fall in energy prices, it would be possible to impose substantial carbon taxes without them being burdened relative to where things stood six months ago. The price of gasoline has fallen by more than a dollar. A \$25-a-ton tax on carbon that would raise far more than \$1 trillion over the next decade would lift gasoline prices by only about 25 cents.