

# The Mossavar-Rahmani Center for Business & Government

Harvard Kennedy School

April 2008

## FROM THE DIRECTOR



*John Ruggie*

Since I last wrote, the Center has hosted a workshop on global warming; a symposium on U.S. - Japan relations; seminars on the cost of the Iraq War, financial reform in Ethiopia, and automotive fuel economy standards; a workshop on

voluntary environmental programs; a breakfast on economic solutions to the social security problem; and a dinner in honor of Undersecretary of the Treasury for Domestic Finance Robert Steel, among other activities. It must be springtime in Cambridge.

We would like to congratulate Steve Peterson, a Lecturer here at the Kennedy School and former Chief of Party for the Ethiopia DSA Project, who is the recipient of the Center's 2008 Distinguished Service Award. Steve led the DSA project on Ethiopia's public financial management reform for 12 years, and we would like to recognize all of his dedication and hard work in Addis and Cambridge. Congratulations Steve!

Sadly, the Center has also had its share of bad news. In recent weeks we have lost two colleagues - Jerome Grossman and John Montgomery. Jerry was the Director of the Center's Health Care Delivery Policy Program and a Senior Fellow, and John was the Ford Foundation Professor of International Studies and had served as Faculty Director of the Asia-Pacific Policy Program. Both had distinguished careers and will be sorely missed.

For my part, I have just submitted my final report as UN Special Representative on Business and Human Rights. It was the culmination of three years of travel, consultation and research, and proposes a policy framework to the UN Human Rights Council to bring greater coherence and cumulative progress to the business and human rights area.

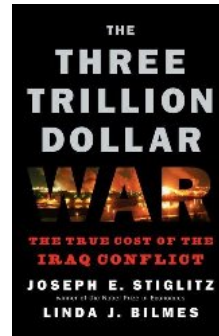
The end of the semester is shaping up to be as busy as its beginning. Hope to see you at an event or seminar soon.

Cheers,  
John G. Ruggie

## THE THREE TRILLION DOLLAR WAR

On April 2, The Center hosted the Harvard Kennedy School's Linda Bilmes and Nobel Prize winning economist Joseph Stiglitz of Columbia University to discuss their recently published book, *The Three Trillion Dollar War: The True Cost of the Iraq Conflict*. They were joined by Paul Rieckhoff, the Executive Director and Founder of Iraq and Afghanistan Veterans for America (IAVA), the first and largest organization for veterans of the War on Terror.

Bilmes and Stiglitz outlined the financial costs of fighting the war in Iraq, which they estimate currently run more than \$12 billion a month, and the effects these costs and how we pay for them are having on the US economy.



"We've had to borrow to pay for this war," said Bilmes, "and it is the first war in American history entirely paid for by deficit spending."

Stiglitz noted, "This war has totally been financed by deficits, and deficits have consequences. The [Iraq and Afghanistan] wars have contributed \$1 trillion to our national debt. Money spent on the war doesn't stimulate the economy as much as spending money directly on the US economy would."

Rieckhoff, an Infantry Platoon Leader in Iraq between 2003 - 2004, detailed the human costs of the war, which he believes have been underreported and underappreciated. "We have a moral obligation to support the soldiers who have served," he said, "But we have a shortsighted understanding of the needs of these veterans who are coming home."

Calling a new GI Bill for soldiers a "good investment," Rieckhoff echoed Bilmes & Stiglitz's call for the government to fully fund veterans' benefits. "The long term costs of not supporting the guys coming home will be much higher than investing in them today."

*The Three Trillion Dollar War* has received significant press coverage, and was recently featured on the cover of the April issue of *Vanity Fair* magazine.

## REGULATORY POLICY PROGRAM HOSTS WORKSHOP WITH EPA

**CAMBRIDGE** - Over the last decade, federal and state environmental agencies have launched voluntary programs to recognize and reward facilities that take steps to improve the environment beyond what the law requires. What do voluntary programs bring to the portfolio of policy approaches available to environmental regulators, and what lessons do they offer for addressing other policy problems such as

worker health and safety? Erich Muehlegger, faculty chair of the Regulatory Policy Program, posed these questions at a March 11-12 forum at the Harvard Kennedy School.



RPP hosted the event for the U.S. Environmental Protection Agency, the Environmental Council of the States, and the Multi-State Working Group. These organizations are interested in understanding the results of a particular kind of voluntary approach known as “performance-based environmental programs.”

*Chuck Kent, Director, US EPA Office of Cross Media Programs* Cary Coglianese, Jennifer Nash, and Jonathan Borck presented two papers, the first describing the goals, activities, and data collection practices of these programs and the second offering methods for measuring their impacts. Cary Coglianese is Edward B. Shils Professor of Law and Professor of Political Science at the University of Pennsylvania, Jennifer Nash is RPP director, and Jonathan Borck is a doctoral candidate in HKS’s environmental economics program.

About 50 people participated in the two-day discussion, including representatives of firms that participate in these programs, state and federal environmental agencies who run them, environmental advocacy organizations, and researchers.



*David Paylor, Director, Virginia Department of Environmental Quality (r) and Dennis Treacy, Vice President, Environmental and Corporate Affairs, Smithfield Foods*

### SEMINAR SERIES

RPP has continued its popular seminar series on regulation and climate change. Sessions this spring have included Ian Sue Wing, Assistant Professor, Department of Geography & Environment, Boston University, speaking on “The Regional Greenhouse Gas Initiative: Emission Leakage and the Effectiveness of Interstate Border Adjustments;” Jeffrey Frankel, Harpel Professor of Capital Formation & Growth, Harvard Kennedy School, on “Global Climate and Global Trade;” and William A. Pizer, Senior Fellow and Director, Energy and Natural Resources, Resources for the Future, on “Let’s Get Serious about Climate Change Policy: What’s Really Achievable at What Cost?” Next up, on April 17, is Gilbert Metcalf, Professor of Economics, Tufts University, on “An Analysis of U.S. Carbon Pricing Legislation.” Please see the RPP website for seminar presentations, new working papers, and information about future seminars. [www.hks.harvard.edu/m-rcbg/rpp](http://www.hks.harvard.edu/m-rcbg/rpp)

## FACULTY IN THE NEWS

**JOHN RUGGIE** has been named a 2008 Guggenheim Fellow. Ruggie, who is also the Center's Weil



*John Ruggie*

Director and the Kirkpatrick Professor of International Affairs at the Kennedy School, is one of 190 recipients of more than 2600 applicants. Fellows are appointed to individual artists and scholars on the basis of unusually distinguished achievement and exceptional promise for future accomplishment. This Fellowship will support John's work on a book entitled *Governing Multinationals: The Case of Human Rights*, based on his experiences as the UN Special Representative for Business & Human Rights.

**ROGER PORTER** joined former President George H.W. Bush, former Secretary of Defense and Stanford Professor William Perry, and Yale historian Jonathan Spence as lecturers on a Harvard-Yale-Stanford trip to East Asia. The trip included more than a score of lectures as well as events in Beijing, Hong Kong, and Shanghai; Seoul, Korea; Nagasaki, Japan; and Taipei, Taiwan. Professor Porter's lectures focused on the prospects and challenges for the Chinese economy



*Roger Porter*

as well as the current debate regarding globalization, economic growth, the environment and labor standards. Porter also chaired panels that involved the chief executive officers for the Asian subsidiaries of Intel, Boeing, General Electric and Pepsico.

### LEADERSHIP COUNCIL

On March 20th, M-RCBG hosted **TOM HEALEY**, a senior advisor at Goldman Sachs and Kennedy School Lecturer to discuss the future of social security.

The Council will host Harvard Kennedy School Professor **ANTHONY SAICH** on April 25th to discuss *China's Impact on Massachusetts' Trade and Economy*. Tony is the Director of Asia Programs here at the Center and accompanied Massachusetts Governor Deval Patrick on a 7 day trade mission to China in December of 2007.

If you are interested in joining the Center's Leadership Council, please contact:  
Miranda\_Daniloff\_Mancusi@ksg.harvard.edu

**CALESTOUS JUMA** has been appointed Special Adviser to the International Whaling Commission (IWC). The IWC was set up under the International Convention for the Regulation of Whaling, signed to provide for the proper conservation of whale stocks and thus make possible the orderly development of the whaling industry. Juma, the Kennedy School's



*Calestous Juma*

Professor of the Practice of International Development, will help advise on the future of the commission.

Aetna Professor, Emeritus **F.M. SCHERER** and former Center faculty affiliate **JOHN MEYER** have both been named "Pioneers of Industrial Organization," in a volume of the same name edited by Henry de Jong and William Shepherd. Pioneers were chosen for their innovations in the economics field of industrial organization.

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVE NEWS

On March 26, CSRI Director **JANE NELSON** delivered the 2008 Ellsworth Lecture at the University of Hartford on "Global Corporate Citizenship: Building on America's Philanthropic Traditions to Invest in the Future." She said that while the term corporate citizenship used to be synonymous with philanthropy, today it also includes responsible core business practices, public policy dialogues, and institution building. These new public roles for corporations are the result of new risks and opportunities brought on by changes in ecosystems, economic and geopolitical forces, technological innovation, and demographic shifts. The Ellsworth Lecture program is aimed at promoting an awareness of and an appreciation for the American business system and is convened by university president Walter Harrison.



*Jane Nelson*

Nelson spoke to similar themes at the February 25 forum organized by the United Nations Economic and Social Council (ECOSOC), entitled "How Corporate Philanthropy Can Contribute to Advancing the Millennium Development Goals." She noted that increasingly, corporations are combining philanthropic efforts with commercial activities in what she calls "hybrid interventions" which have the potential to be far more significant in terms of scale and impact than pure philanthropy.

Also on February 25th, The CSR Initiative co-hosted a forum on "International Corporate Volunteering: A Leadership Role for American Companies." The event featured a panel discussion that included Akhtar Badshah from Microsoft, Rekha Chalasani from Pfizer, and Diane Melley from IBM, among others. These corporations have initiated innovative programs to encourage employees to volunteer, in some cases linking volunteering with strategic business objectives.

On March 13, CSRI Director of Policy Studies **BETH JENKINS** spoke on a panel at the World Business Council for Sustainable Development's annual Liaison Delegates Meeting in Montreux, Switzerland, about the importance of measuring the development impact of business operations in low-income countries. She described development impact in terms of increased opportunity for people to lead the kinds of lives they wish to lead - opportunity that, according to Nobel Laureate Amartya Sen, encompasses all kinds of activities and states people have reason to value, ranging from the chance to start one's own business to a consistent level of good health. Jenkins emphasized that such outcomes are hard to measure, but that it is less important to quantify them than to characterize them and understand how they come about. Understanding the chain reactions that translate company decisions and activities into development impact can help those companies and their stakeholders develop strategies to mitigate the negative and leverage the positive impacts of business in society.

## 15TH ANNUAL U.S. - JAPAN SYMPOSIUM

Since 1993, the Center has co-hosted, with the Japan Society of Boston and the Kansai Keizai Doyukai, a one day symposium to examine critical issues relating to Japan and the Asia-Pacific region. The Kansai Keizai Doyukai is a business organization made up of leading business corporations in the Osaka region of Japan. Similar to a business chamber of commerce, the Doyukai represents major corporations in one of the largest Japanese markets. This year's symposium focused on *Stability and Sustainable Growth in the Asia/Pacific Region*. Sessions included former Kennedy School Dean Joseph Nye and Harvard's Henry Ford II Professor of the Social Sciences Ezra Vogel discussing the 2008 U.S. Presidential Election, Kennedy School Lecturer Bob Glauber speaking on the implications of the fall of the dollar, and Daewoo Professor of International Relations Tony Saich offering insights on China's role in the Asia-Pacific region. The Harvard Electricity Policy Group's William Hogan delivered a keynote speech on "Energy & Democracy." We look forward to hosting the 16th annual symposium again in Cambridge in 2009.

## HARVARD ELECTRICITY POLICY GROUP HOSTS ITS 50TH PLENARY SESSION IN BOULDER, COLORADO

The Harvard Electricity Policy Group (HEPG) held its Fiftieth Plenary Session in Boulder, Colorado on February 28-29. The group discussed: the implementation of the new law authorizing the Department of Energy to designate federal transmission corridors; the problems of the potential for monopsony power in wholesale electricity markets; and risk allocation for generation and transmission investment in an unbundled competitive market. In attendance were representatives from the industry, and the chairs of the Colorado, Maryland, and Illinois regulatory agencies, as well as commissioners from Idaho and Vermont, FERC commissioner Marc Spitzer, and experts from the Federal Energy Regulatory Commission.



*Ashley Brown*

**ASHLEY BROWN**, HEPG Executive Director, received the Distinguished Service Award from the Public Utilities Research Center at the University of Florida.

## PUBLICATIONS

**LINDA BILMES'S** book *The Three Trillion Dollar War* was published in early March and immediately went onto the New York Times Bestseller list (Nonfiction). Bilmes has embarked on a national book tour which has included speaking at the Council on Foreign Relations, The Commonwealth Club, Center for American Progress, University of California Medical School, and will include lectures in Chicago, Seattle, Denver, Los Angeles and Baltimore. There have been numerous book parties across the country, including one hosted by Walter Shorenstein in San Francisco. Bilmes has appeared on many of the major TV and radio programs nationwide, including the CBS Evening News, CNN World Update, CNN International, "Democracy Now", CNN Lou Dobbs, BBC, Russian State Television, and NPR's "Fresh Air", "All Things Considered", "To the Point", "Here and Now" and other programs. The book has received widespread attention in the media worldwide, including the New York Times, Washington Post, Financial Times, Boston Globe, Los Angeles Times, The Economist, The Guardian, The London Times, and many other publications. It is featured on the cover of the April issue of Vanity Fair, and has been cited in all the CNN on-line news during the 5th anniversary of the Iraq War and the commemoration of 4000 US deaths in Iraq. All the main wire services have carried articles about the book, including AP, UPI, Reuters, and AFP.

**JOHN DONAHUE'S** *The Warping of Government Work* will be published May 2008. It documents government's isolation from the rest of the American economy and arrays the stark choices we confront for narrowing, or accommodating, the divide between public and private work. Jack will be speaking on the book this September 25th at the Center's Business & Government Fall Seminar Series.

**JOHN RUGGIE** submitted his most recent report as UN Special Representative on Business & Human Rights on March 20th. It was the culmination of three years of travel, consultation and research, and proposes a policy framework to the UN Human Rights Council to bring greater coherence and cumulative progress to the business and human rights area.

## HARVARD PROJECT ON INTERNATIONAL CLIMATE AGREEMENTS WORKSHOP PONDER: POST-KYOTO, WHAT NEXT?

With the Kyoto Protocol's first commitment period expiring in 2012, the Harvard Project on International Climate Agreements hosted a workshop of leading thinkers on March 14th to help determine what comes next.

The workshop brought together key scholars and other thinkers working on international climate change policy from a variety of disciplines, including economics, political science, and law.

Together, they addressed issues such as how to persuade developing countries – among them China and India – to sign on to an international agreement, how to link climate policy with international trade, and how to effectively address deforestation, which accounts for 20 percent of global emissions.



*Harvard Economics Professor  
Richard Cooper*

The workshop is part of a larger effort by the Harvard Project to draw on the ideas of key stakeholders – including academics, business, government, and non-governmental organizations – to help inform global climate policy architecture. It's no small task: Though the Kyoto Protocol tried to forge international consensus, four of the five largest emitters – the United States, China, India, and Russia – either did not ratify the agreement (the United States) or were not required to take on binding requirements (China, India, and Russia).

Even so, most who follow this issue agree that, this time around, all those countries will have to take more aggressive actions.

"We really have to get emissions reductions in developing countries very soon," said Joe Aldy, co-director of the Harvard Project with Kennedy School Professor Robert N. Stavins, director of the Harvard Environmental Economics Program and Albert Pratt Professor of Business and Government.

The project is examining ideas that are similar to Kyoto's top-down approach, though stronger, as well as approaches that are substantially different. Key ideas in play range from indexing emissions targets to economic growth, to bottom-up approaches, such as linking together the actions of a number of countries.

One of the project's key goals is to persuade the countries of the world not only to look at ideas similar to the Kyoto Protocol, but also to look at ideas that are very different in structure.

"At the end of two years, if we help countries of the world be open to better, more progressive policy approaches, we will have succeeded," Stavins said.

The project's research agenda closely parallels the world political process. The "Bali Roadmap," decided at the Conference of the Parties in Bali, Indonesia, in December 2007, lays out a two-year plan toward reaching an agreement in 2009, a similar timetable as the project. The Bali plan calls for long-term efforts to reduce the greenhouse gas emissions that cause climate change, increase transfer of clean energy technologies, and address the problems of deforestation – all issues the Harvard Project is addressing.

In addition to academic research, the project contains a strong outreach component. In the past several months, project directors have traveled to Brussels, Bali, Rome, Paris, Warsaw, Tokyo, New York, and Washington, D.C., to solicit ideas and discuss policy options. They also have plans to visit Beijing and Denmark, the site of the 2009 Conference of the Parties.

*- Sasha Talcott is the director of communications at the Belfer Center for Science and International Affairs*

## FACULTY SEED GRANTS

Spring 2008 Mossavar-Rahmani Center for Business & Government faculty seed grants have been awarded to the following Harvard Kennedy School faculty members:

- Hannah Bowles for research on gender negotiation
- Pepper Culpepper for a book project on managers and the politics of corporate control
- Bridgette Madrian to develop a new course on household finance
- Erich Muehlegger for a study of the chemical industry's responsible care initiative and for a study on market-based regulation: A Tool for Assuring Safe Importation of Food from China?
- Jay Rosengard for an AKBANK case study (Turkey)

For more information on faculty seed grants, please contact [Scott\\_Leland@ksg.harvard.edu](mailto:Scott_Leland@ksg.harvard.edu)

## FELLOWS AND VISITORS

The Fellows Program enthusiastically welcomed back former Senior Fellow **ROBERT STEEL**, currently Undersecretary of the Treasury for Domestic Finance, for a dinner in his honor on March 19th. Secretary Steel spoke on his experiences at the Treasury and fielded questions from students, fellows and affiliates on topics ranging from U.S. economic policy to his experiences briefing President Bush. Undersecretary Steel was a Senior Fellow at the Center from 2004 - 2006. He co-taught a course with Harvard Kennedy School Adjunct Lecturer Tom Healey on financial market regulation.

**BILL SYMONDS**, who has been a Sandler Fellow at the Center since January of 2007, is organizing two major meetings connected with his work on how US corporations can work more effectively to improve public schools. On April 5, he moderated an all-day conference hosted by Boston College's Center for Corporate Citizenship on "Transforming Business/Education Partnerships: Seeking Solutions for the 21st Century." The conference featured speakers from Exxon, HP, IBM, Intel, Ernst & Young, and the KnowledgeWorks Foundation, among others. On April 24th, Bill will help run a planning meeting to discuss the creation of a Harvard Executive Session on Business and Education. Faculty from the Kennedy School and Graduate School of Education are involved, as are corporate and foundation executives.

## UPCOMING EVENTS

**APRIL 17 2008** - Business & Government Seminar - *An Analysis of U.S. Carbon Pricing Legislation*. Gilbert Metcalf, Professor of Economics, Tufts University. RSVP to [mrcbg@ksg.harvard.edu](mailto:mrcbg@ksg.harvard.edu)

**APRIL 18, 2008** - Business & Government Seminar - *The Credit Crunch: How Did It Happen and What Are the Lessons?* Robert Glauber, Harvard Kennedy School Lecturer and Former Chairman & CEO of the National Association of Securities Dealers (NASD). RSVP to [mrcbg@ksg.harvard.edu](mailto:mrcbg@ksg.harvard.edu)

**APRIL 25, 2008** - Leadership Council Breakfast. with Anthony Saich, Daewoo Professor of International Affairs at the Harvard Kennedy School. *China's Impact on Massachusetts Trade and Economy*. RSVP to [mrcbg@ksg.harvard.edu](mailto:mrcbg@ksg.harvard.edu)